



MANUAL OF ACCOUNTS
AND
RELATED INSTRUCTIONS

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Issued by

RURAL ELECTRIFICATION ADMINISTRATION
FINANCE DIVISION

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NOV 5 1946

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Effective January 1, 1945

U.S.A.
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REA MANUAL OF ACCOUNTS

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PURPOSE OF GOOD RECORDS

For nearly a decade, the Rural Electrification Movement under the guidance and supervision of the Federal Government has gone forward, and few individuals actually acquainted with the facts will deny that this movement represents a genuine milestone of progress.

We are approaching another era in Rural Electrification. Before entering this stage it was deemed advisable to review the results of our efforts over the last several years, and bring our policies and procedures into agreement with the problems resulting from current events.

In accomplishing this review, we are completely dependent upon the records maintained by REA borrowers for it is from these records that we are able to interpret conditions, progress and trends. Sound records constitute the historical data to guide the management in the formulation of future policies.

The REA Manual of Accounts represents the most important document issued by the Finance Division, inasmuch as virtually all records of the system are in some way connected with the books of account. The present revision of this Manual was prepared with these premises in mind: Adequacy, Accuracy, and Necessity. Simplicity is important - but should not be attained by sacrificing the above premises.

The significance of adequate and accurate records cannot be over-emphasized. In a sense, they resemble the nervous system in natural organisms. While records do not possess all of the answers, they do in various ways disclose conditions which require "the doctor's" attention.

The maintenance of sound records will not only assist REA in performing its function in administering the provisions of the Rural Electrification Act, but will also be of immeasurable assistance to members of Boards of Directors and System Managers in giving thorough consideration to management problems, and the proper disposition thereof.

Familiarity with this manual will facilitate the proper maintenance of adequate and accurate records as well as the interpretation thereof. No attempt should be made to keep records for an REA system until one has gained a complete knowledge of the contents of this manual.

MANUAL OF ACCOUNTS
FOR REA BORROWERS

SECTION I

GENERAL AND ACCOUNTING INSTRUCTIONS

General Instructions

This classification of accounts applies to all REA Distribution systems. It is based on the Uniform System Accounts prescribed by the Federal Power Commission with such changes as are desirable due to the manner in which REA systems are financed, as well as recognizing the fact that the major portion of REA systems are not engaged in a profit enterprise but are, rather, cooperative in distinction and therefore not organized for profit.

This manual was prepared principally for distribution systems. However, the accounts included herein may be used by systems having generation and transmission facilities. In addition to the accounts in this manual, systems having generation and transmission plant should use the accounts applicable to electric plant and operating expenses contained in the Federal Power Commission Uniform System of Accounts prescribed for class A and B utilities. If additional accounts of any nature are required, other than those included in this manual, the need should be brought to the attention of the Regional Head of the Finance Division. (This is not intended to preclude systems from opening subaccounts of a general caption for individual classifications. Therefore, if it is desirable to open ledger accounts for general funds in the various depositories, accounts 120. 1a, 120. 1b, 120. 1c, etc., should be used.)

When an account name is preceded by "other" (examples are account 110, Other Physical Property, and account 229.3, Other Interest Accrued.), each transaction recorded therein should be so detailed as to be readily identifiable. A separate account should be established for any class of items which becomes numerous. For example, if interest is not accrued on other obligations often and the amount is small, the accrual may be recorded in account 229.3, Other Interest Accrued. If, however, accrued interest transactions are of frequent occurrence they should be recorded in a separate account.

Descriptions of debit or credit entries have been incorporated in the text as illustrations of the items making up the accounts. Transactions will occur which require entries other than those described. Questions regarding the treatment of specific items should be referred to the field auditor or to the Finance Division Regional Head at REA Headquarters.

Accounting Instructions

Following are the definitions of accounting terms used in the accompanying system of accounts. A knowledge of them will aid

in understanding the purposes behind the accounts. These definitions are in accord with widely approved accounting practices and are recognized as essential to good management in private as well as public business.

1. Manual of accounts: This booklet, known as the "Manual," prescribes the accounts which are to be kept in accordance with the classification and methods described.
2. Accounting system and period: Books of account are kept by double-entry methods, and the accrual basis is followed. The books and records shall be kept on a monthly basis and must be closed at the end of each calendar or fiscal year.
3. Reports: Monthly reports covering balance-sheet and income accounts and various statistics are required, and forms for these reports are supplied by the REA. Special reports and information are requested from time to time.
4. Auditing: Audits are conducted periodically in order to protect the equity of the Borrowers and the investment of the government. The Finance Division of REA also endeavors to guide and instruct through advisory assistance on all problems relating to the finances and accounts of the system.
5. Municipal electric department: A municipal electric department is to be regarded as entirely independent of other municipal operations and should be conducted on an arm's length basis; interdepartmental services are settled by cash transfers, Equitable allocations of joint-facilities expense and of the time of persons employed in more than one department are made between the electric department and other departments involved.
6. General accounts: The electric system of one organization should be accounted for in a single set of accounting books and records. Only when specifically required by contract or financing agreements are separate books maintained for portions of an electric system.
7. Rural service segregation: Rural sections operated in conjunction with a municipal system, for which separate accounting records are required by contract, should be accounted for on an incremental basis; that is, the rural sections will bear only the additional costs incurred by the municipality because of their operation.
8. Book or original cost: Book cost is the amount recorded on the books for property without any deductions of related reserves or other accounts. In the case of acquired operating units or systems, the purchase cost is segregated in the accounts between (a) the cost of the property to the person first devoting it to public utility service, known as "original cost," (b) depreciation and amortization requirements on the original cost of the property, and (c) the difference between the purchase cost (including acquisition expense) and the net amount

- of (a) less (b), known as the "electric plant acquisition adjustment." The original cost, if possible, is secured from accounting records of predecessor owners; if the cost data cannot be secured from such records, that portion of the original cost not obtainable from accounting records is estimated by the most accurate means available.
9. Electric plant acquisition adjustments: Acquisition adjustments are amortized according to a predetermined plan over a period of years not in excess of the remaining life of the plant acquired.
 10. Construction contributions: Donations of labor, material or service for construction of the system will be included in the plant accounts at cost to the contributor, unless this amount is in excess of the cost at which it could have been done by the Borrower at prevailing cost, in which event the lower cost will be recorded.
 11. Plant unit records: Plant unit records are very similar to records maintained for materials and supplies in that a perpetual inventory in quantities and amounts is kept for each unit of plant. The total dollar amount shown on each record is reconciled periodically with the balances in related plant accounts.
 12. Depreciation: Depreciation is the charge against income for the used service-life of limited-life property, based on the original cost less estimated salvage pro rated over the total estimated service-life of the unit, using a composite rate developed by applying individual rates for each class of property. Retirements of depreciable property are accounted for by crediting the proper plant account and charging the depreciation reserve account with the net loss due to retirement. No gain or loss is calculated on retirements of property, except that extraordinary losses incurred through wind, ice, sleet and other storm damage may be charged to account 141, Extraordinary Property Losses, and then charged to the appropriate account over a predetermined period of time.
 13. Construction overhead costs: Overhead costs are pro rated to construction accounts primarily on a time or a direction-of-effort basis. Interest may be included in construction cost to the extent that it is actually incurred on funds used during construction. Interest on funds not borrowed specifically for construction purposes is not included in construction cost. Interest charges to construction cease when the constructed property is placed on operation or is ready for service. Interest accruing during delays in the construction program may be included in construction cost to the extent that such delays are reasonable.
 14. Cash: Cash receipts are deposited on the bank daily. The cash funds of electric operations are accounted for separately from other cash funds. Individual bank accounts are recommended to earmark cash for special purposes, and when

specifically required by contracts, bond agreements, or ordinances. Except where required by state statutes, segregation of cash received for consumers' deposits and memberships is not recommended for the reason that such cash, particularly membership fees, is available for general use.

15. Material and supplies inventory control: Perpetual inventory controls and records should be maintained with respect to materials and supplies for the purpose of securing accurate accounting for materials issued and returned from construction, retirements, and maintenance; also for salvaged materials which may be reused, or scrap materials recovered.
16. Amortization collections for debt retirement: Amortization charges added to monthly bills under the terms of contracts are contributed by consumers for specific purposes and, unlike electric revenues, are not available for current expenses. They are accounted for as follows: Under all other conditions, amortization collections are considered to be capital contributed by consumers and are recorded on the balance sheet in account 265.2, Consumers' Contributions for Debt Service.
17. Capital surplus: This account will reflect the accumulated gains and losses not attributed directly or indirectly, to the earnings of the system.
18. Earned surplus: The earned-surplus account reflects the accumulated net income or loss from operations of the electric system. Extraordinary or nonrecurring gains and losses, and adjustments applicable to prior years' operations, are treated as direct entries to accounts 401, Miscellaneous Credits to Surplus, and 414, Miscellaneous Debits to Surplus.

SECTION II

DEFINITIONS

The terms used frequently in the explanation of accounts are listed below. Their definitions conform as closely as possible to those used by public accountants, without departing from usages followed by the Federal Power Commission. Where a definition applies to one account only, it is given in connection with the description of the account.

Accounting period: Any period at the end of which and for which financial statements are prepared. For the purpose of this manual the accounting period is a calendar month.

Accrue: To record revenues when earned and expenditures when incurred, notwithstanding that the related cash receipts and disbursements may take place, in whole or part, in another accounting period.

Amortization: The gradual reduction, redemption or liquidation of an account according to a specified schedule of time based on the life of the asset or liability or over the period of benefit to be realized.

Amortization charges or amortization collections: Amounts added to consumers' electric bills specifically to provide funds for the retirement of long term debt or other financial purposes.

Asset: Any valuable right or property, either current or fixed. Customarily includes debit balances subject to final disposition, such as deferred charges, prepaid expenses, and accrued charges or claims against others on which payment is reasonably assured, which are classified as assets for statement purposes.

Bond: A written obligation under seal to pay a specified sum of money called the "face value," at a definite time in the future, called the "date of maturity," and bearing interest at a fixed rate, payable periodically.

Bonds outstanding: Bonds actually issued which have neither been retired nor are held by or for the issuing organization.

Cash discount: An allowance received or given if payment is made within a stated period.

Control account: An account to which is posted the aggregate of the debit and of the credit entries made to a number of identical, similar, or related accounts called "subsidiary accounts." The balance of this account equals the total of the balances in the subsidiary accounts. It serves as a check on the accuracy of the detail-ledger-account postings and relieves the control ledger of a mass of detail. See "subsidiary account."

Cost: The amount of money, or money's worth of considerations

other than money, given for property or services. A cost may be incurred before money is paid; that is, as soon as a liability arises.

Cost of removal: The cost of demolishing, dismantling, tearing down, or otherwise removing electric plant, including the cost of transportation and handling.

Debt expense: This covers all expenses in connection with the issuance of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; fees paid trustees; specific costs of obtaining State, Federal or other governmental authority; fees for legal services; and other like costs.

Depreciation: The loss in service value of depreciable plant not restored by current maintenance resulting from causes against which no insurance is carried, such as wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.

Expenditure: The term includes total charges incurred, whether paid or unpaid, including expenses, provision for retirement of debt, and capital outlays.

Expense: Charges incurred, whether paid or unpaid, for operations, maintenance, interest, depreciation, or other items.

Fiscal agent: A financial representative with whom money is deposited and who is authorized to make payments from said deposits for specific purposes.

Fiscal year: Any twelve-month period ending at a time other than the calendar year at which time the organization closes its books and submits an annual report.

Force account: The term shall mean the construction work performed by the Borrower and will include the furnishing of all labor, transportation, materials, tools, supplies and equipment used in connection therewith.

Functional classification: The classification of property or expenses according to the purpose for which they are used or incurred, such as electric generation, transmission, distribution, and other properties or activities.

Fund: A sum of money or other assets segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Incur: To become financially liable for the payment of goods or services received or for benefits secured.

Installed cost: The total cost of equipment or plant in place, ready for use.

Liability: Debt or other legal obligation assumed or incurred for any transaction. The term applies to any item payable, whether due or not.

Maintenance cost: The cost of keeping the properties in condition for use or occupancy not including the cost of replacement of property designated as "Units of property." See Page 8.

Minor items of property: One of the component parts comprising a unit of property, the replacements of which are charged to maintenance. See "Unit of property."

Net book cost: The total cost of property, as shown on the books, less related reserves for depreciation, amortization, or loss in value.

Net salvage: The amount of salvage of property retired less cost of removal. See "Cost of removal" and "Salvage."

Note: A note given by an REA borrower is a written promise signed by the maker and secured by a mortgage to pay a given sum in money on demand or fixed or determinable future dates to the holder or to his order.

Organization: As generally used in this manner, any borrower to whom REA has or will loan funds.

Original cost: The cost of electric plant to the person first devoting it to public service.

Person: An individual, corporation, partnership, association, a joint stock company, or any organized group of individuals.

Plant: Property consisting of facilities and rights, having a useful life of more than one year, used or useful in the conduct of electric operations. The terms "fixed assets" and "capital assets" are also frequently used to denote property of this nature.

Plant-record unit: The minimum division of electric plant for which a continuous historical record is maintained underlying the detailed electric-plant accounts.

Project: That portion of property constructed, to be constructed, or acquired under the terms of a given loan or allotment. See "Section."

Property retired: Property which has been removed, sold, abandoned, or destroyed; also, in electric plant, property which for any reason has been withdrawn permanently from electric service.

Revenue: An amount earned through the delivery of goods, services, or on investments.

Salvage: In case of sale, it is the amount received for property retired and sold, less expenditures in connection with its sale or

preparing the property for sale. If retained, the amount at which material recovered is charged to an inventory or other appropriate account.

Section: The term applies to a portion or all of the property constructed or acquired under the terms of a given loan or allotment. See "Project."

Securities: Stocks, memberships in cooperatives, and bonds, notes, mortgages, or other written evidence of indebtedness in which funds are invested.

Service value: The difference between original cost and net salvage or electric plant. See "Original cost" and "Net salvage."

Straight-line depreciation: A method for periodically computing the expense represented by loss in service value of depreciable plant, under which the objective is to pro rate such loss in equal installments over the estimated or remaining estimated service life. See "Depreciation."

Subsidiary account: One of a group of related accounts supporting a control account. See "Control account."

Suspense account: An account containing charges or credits pending the determination of the proper account or accounts in which such charges or credits are ultimately to be lodged.

System: As applied to REA Borrowers, means the entire property constructed or operated by them and consists of the various "Projects" or "Section."

Unit of property: A unit of property is an assembly unit of electric plant, which is recognized as a minimum division of property for purposes of accounting. Generally a unit of property is construed to be an assembly unit as defined in the Construction Contracts or Plans and Specifications. Units are established in sizes small enough to be significant in identifying the property, but at the same time large enough to avoid unnecessary and burdensome detail. (The term "unit of property" is not applied to general plant. Items in general plant are referred to as "items of equipment.")

SECTION III

LIST OF BALANCE-SHEET ACCOUNTS

Assets and Other Debits

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- Electric Plant in Service (See 300 Accounts)
- 100.2 Electric Plant Leased to Others
- 100.4 Electric Plant Held for Future Use
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200	Memberships Issued
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213.1	Long-Term Debt--REA Construction
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Current and Accrued Liabilities

220	Notes Payable
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271	Earned Surplus

SECTION III

DESCRIPTION OF BALANCE-SHEET ACCOUNTS

ASSETS AND OTHER DEBITS

Utility Plant

100.2 ELECTRIC PLANT LEASED TO OTHERS

This account shall include the original cost of electric plant owned by the utility, but leased to others as operating units or systems, where the lessee has exclusive possession.

<u>Debits</u>	<u>Credits</u>
Original cost of electric plant leased to others	Entries involved through disposition, loss of electric plant leased to others or restoration to property used by system.

100.4 ELECTRIC PLANT HELD FOR FUTURE USE

This account shall include the original cost of electric plant owned and held for use in electric service under a definite plan for such use. There shall be included herein property acquired but never used by the utility in electric service, but held for such service in the future under a definite plan, and property previously used by the utility in electric service but retired from such service and held pending its reuse in the future, under a definite plan, in electric service.

Note: Materials and supplies, and transformers and meters held in reserve shall not be included in this account.

<u>Debits</u>	<u>Credits</u>
Original cost of electric plant owned.	Entries involved through disposition, loss of electric plant held for future use or restoration to property used by system.

100.5 ELECTRIC PLANT ACQUISITION ADJUSTMENTS

The difference between (a) the amount paid by the organization for electric plant purchased, including acquisition costs, and (b) the original cost of the plant less depreciation requirements thereon to the date of acquisition. Acquisition adjustments may be either debits or credits and are kept separate for each major purchase. As stated under account 250, Reserve for Depreciation of Electric Plant in Service, the reserve established at acquisition includes provision for deferred maintenance and estimated losses arising from abandonment of

purchased property which will not be used. See account 391, Electric Plant Purchased, for the manner in which purchased plant is distributed and this account established. The account is amortized according to a definite plan over a period of years not more than the remaining life of the plant acquired. The monthly amount amortized is debited or credited to account 505, Amortization of Electric Plant Acquisition Adjustments, and credited or debited to this account or account 252, Reserve for Amortization of Electric Plant Acquisition Adjustment.

<u>Debits</u>	<u>Credits</u>
Excess of amount paid for plant purchased over its net original cost at acquisition. Amounts amortized.	Excess of net original cost at acquisition over amount paid for plant. Amounts amortized.

103.1 CONSTRUCTION WORK IN PROGRESS--GENERAL

This account shall be charged with construction costs paid out of general funds which were incurred in constructing a project by contract. It is not to be used for any construction accomplished by Force Account, which will be evidenced by final work orders. Such charges should be made to account 103.3, Construction Work in Progress - Force Account.

103.2 CONSTRUCTION WORK IN PROGRESS--SPECIAL CONSTRUCTION

All costs and expenses including overhead construction costs applicable to a project or portion thereof which is being constructed with special construction funds (other than that construction carried on by force account) are charged to this account. A subsidiary record should be maintained to support the charges made to this account which will indicate the payments (or obligations incurred) to contractors, engineers, and other incidental expenditures or obligations necessary in accomplishing the construction of the project.

103.3 CONSTRUCTION WORK IN PROGRESS--FORCE ACCOUNT

This account shall be debited with the costs and expenses incurred for labor, material, transportation, supervision and other with respect to construction being accomplished by Force Account, that is, by the furnishing by the system of all labor, transportation, materials, tools, supplies and equipment used in connection therewith.

A Subsidiary record shall be maintained in such a way as to support charges to this account.

PLEASE NOTE: Upon completion of construction of an extension or project, the costs applicable thereto shall be credited to these clearing accounts, and charged to account 103.4, Unclassified Electric Plant in Service.

103.4 UNCLASSIFIED ELECTRIC PLANT IN SERVICE

This account shall be debited with the costs of completed construction, the charges of which were originally made to the various construction work in progress accounts. The costs of construction shall not be transferred from this account until a final inventory or work order has been prepared and approval received from REA. Distribution to the appropriate plant accounts of such amounts will be contingent upon approval of REA.

Debits

Construction of project or extension which has been completed.

Credits

When costs of electric plant are distributed to the appropriate plant accounts.

108 OTHER UTILITY PLANT

The original cost of other utility plant such as gas, railways, etc.

Debits

Purchase cost of other utility plant.

Transfers from construction work in process.

Credits

Original cost of plant retired.

Proceeds from sale of other utility plant pending completion of the accounting for the sale.

Investment and Fund Accounts

110 OTHER PHYSICAL PROPERTY

The book cost of land, structures, and equipment owned but not used or intended to be used in electric operations. Ordinarily the fixed assets included in this account consist of those which are held as an investment or other property not used, or held for sale or other disposition. The book cost used in this account is not more than cost to the organization, and is generally written down to reflect permanent impairment in value below cost. Transfers of limited-life property to this account from electric plant accounts are accomplished by crediting the electric plant accounts and charging the depreciation reserve with the book cost of the items transferred; depreciation reserve is then credited and this account is charged with the estimated fair value of the property transferred.

DebitsCredits

Book cost of fixed property not used or intended to be used, in electric operation.

Estimated fair value of property transferred from electric plant accounts.

Book cost of other physical property disposed of or reclassified.

Reductions of book cost.

111 INVESTMENTS IN ASSOCIATED COMPANIES

The book cost of investments in securities issued or assumed by associated companies. The account should be maintained in such a manner as to show the investment in each associated company.

DebitsCredits

Amount of investment in generating cooperatives, locker plants or other associations.

Book cost of investment written off.

112 OTHER INVESTMENTS

The book cost of long-term investment in securities purchased from general funds. When securities carried in this account are pledged, no accounting entry is necessary, but the amount pledged is disclosed on all financial statements and reports. Temporary investments of cash are not included here but in account 123, Temporary Cash Investments. Investments made from special funds are not carried on this account, but are included under the appropriate fund account.

Investments are carried in the account at cost. Cost includes brokerage fees, taxes, and commissions, but does not include payment for accrued interest purchased. Where accrued interest is paid for, the amount thereof is charged directly to account 128, Interest Receivable.

Fluctuations in the market value of securities are not recognized in the accounts, but permanent impairment in value is reflected by providing a reserve for loss. Substantial amounts of premium or discount in the purchase of investments may be amortized over the remaining life of the securities if desired, provided that the organization intends to hold them to maturity.

Income accrued on interest-bearing investments is recorded monthly by debiting account 128, Interest Receivable, and crediting account 524.1, Interest on Securities Owned. Interest collected is credited to account 128, Interest Receivable. Where the income from investments is small, the accounting therefor may be on a cash basis. In such case, any interest which has been charged to account 128, Interest Receivable, when the investment was purchased is credited to this account when collected and only the balance is credited to income.

When securities are sold, called, or paid at maturity, any difference between (a) cost adjusted by any reserve for loss and the amount, if any, of premium or discount unamortized, and (b) the amount received net of disposal costs but exclusive of interest is charged to account 538, Miscellaneous Income Deductions, if a loss; and credited to account 526, Miscellaneous Nonoperating Revenues, if a gain.

<u>Debits</u>	<u>Credits</u>
Cost of securities acquired as long-term investments of general funds.	Book cost of securities sold, called, or paid at maturity.
Amortization of discounts.	Amortization of premiums.
Amount of investment.	Book cost of investments written off.

114.1 LONG-TERM-DEBT-FUND CASH--FEDERAL AGENCIES

Cash segregated for servicing long-term debt to Federal Agencies. If the amortization charges are remitted monthly to the Federal Agencies no segregation of cash is made and the account is not used.

<u>Debits</u>	<u>Credits</u>
Cash set aside for servicing long-term debt to Federal Agencies.	Debt service payments to Federal Agencies.

114.2 RENEWAL-AND REPLACEMENT-FUND CASH

Cash segregated for financing the renewal and replacement of plant. This fund is usually established by requirements or agreement to assure availability of funds for plant replacements. Proceeds from sales of plant items are usually required to be deposited in the fund in addition to the periodic deposits. Certificates are generally required for disbursements from the fund.

Investments acquired by the fund are carried in a subaccount from the cash. Accounting for securities of the fund follows the principles outlined for account 112, Other Investments.

If the contract or resolution requires that income from fund investments be added to the fund, the amounts collected are deposited directly in the fund. The effect on the fund of gain or loss on disposal of securities should also be considered in meeting the requirements of the provisions for the renewal and replacement fund.

This fund is in effect a partial funding of the depreciation reserve, but the fund rarely bears any direct relationship to the reserve for depreciation which is provided because of the necessity of distributing the cost of plant used up in service to operating expenses, and of having a reserve available to cover losses on retirements of depreciable property.

<u>Debits</u>	<u>Credits</u>
Amount of contributions to fund.	Amount of fund cash expended for replacement of plant.
Proceeds from sales of plant, if required to be added to fund.	Purchase of fund investments.
Earnings realized on fund investments, if required to be added to the fund.	Amount of other authorized expenditures.
Proceeds from sale of investments of fund.	

114.3 OTHER-SPECIAL-FUNDS CASH

Cash set aside for specific long-term purposes not provided for elsewhere.

Separate decimal accounts are opened for each type of fund carried under this heading and for cash and investments of each. The accounting for investments follows the principles outlined for account 112, Other Investments. Income from such investments is, however, credited to account 525, Revenues from Sinking and other Funds.

<u>Debits</u>	<u>Credits</u>
Amounts contributed to fund.	Amounts expended for purposes for which fund was created.
Income from fund investments if added to fund.	Purchase of fund investments.
Proceeds from sales of fund investments.	Amounts transferred to general or other cash funds.

Current and Accrued Assets

120.1 CASH-GENERAL

All cash of the organization not otherwise specifically provided for. A separate decimal account is opened for each bank account in which general cash is carried; as, for example, accounts 120.1a, Cash--General, Farmers and Merchants Bank, or 120.1b, Cash--General, First National Bank.

Funds held by others for current obligations are carried under account 121, Special Deposits. Funds for long-term purposes, whether held by others or not, are carried under fund accounts of the 114 series.

<u>Debits</u>	<u>Credits</u>
Cash received not otherwise provided for.	Disbursements of cash herein provided for.
Transfers from other cash accounts.	Transfers to other cash accounts.

120.2 CASH--REA CONSTRUCTION FUND--TRUSTEE

Cash received from Rural Electrification Administration for financing construction. Proceeds of REA construction loans are charged to this account and credited to account 135.1, Allotment Available from REA--Construction.

Debits

Cash for the purpose of financing construction.
Refund on previous expenditures of REA advances.

Credits

Cash disbursed for construction.
Cash returned to REA.

120.3 CASH--REA INSTALLATION LOAN FUND

Cash advanced by the Rural Electrification Administration for the purpose of financing loans to consumers for installations. Such advances are debited to this account as received and credited to account 135.2, Allotment Available from REA---Installation. Payments are made from this account(120.3) directly to the contractor making the installation in accordance with the terms of the REA loan agreement.

Debits

Cash advanced by Rural Electrification Administration for loans to consumers for installations.

Credits

Payments to contractors.
Amounts returned to REA.

120.4 CASH--INSTALLATION LOAN PAYMENT

Collections received on consumers notes, including interest thereon. This cash is used for the payment of principal and interest on installation loans made by the Rural Electrification Administration in accordance with the terms of the loan agreement.

Debits

Collections received on consumers notes, including interest.

Credits

Payments of principal and interest to Rural Electrification Administration on installation loans.

120.5 CASH--CONSUMERS' DEPOSITS

Cash deposited with the organization by consumers as security for the payment of bills. This account is used only when the Board or other governing body adopts the policy of keeping such funds separate from other general cash. Deposits received and entered in this account are concurrently credited to account 227, Consumers' Deposits.

Debits
Deposits received.

Credits
Deposits refunded.
Deposits applied against
delinquent bills and trans-
ferred to operating cash.

120.66 TRANSFER OF CASH

An account used in transferring funds from one bank account to another. This account is charged with the voucher drawn for the transfer and credited when the deposit is entered in the cash receipts book. If all transfers are deposited in the same month in which drawn, there will be no balance in the account at the end of an accounting period.

Debits
Amount of voucher drawn
for transfer of cash.

Credits
Amount of transfer deposited.

121 SPECIAL DEPOSITS

Cash deposited with others for current obligations. Examples are interest funds required by agreements; meter deposits given to other utilities; and cash placed with federal, state or municipal authorities as a guaranty for the fulfillment of obligations. Funds under the organization's control established to liquidate current liabilities are included under account 120.1, Cash-General. Funds for long-term purposes, whether held by other or not, are included under accounts in the 114 series.

It is important that the account be kept in such a manner that the items comprising the balance may be readily determined at any time. Individual decimal accounts are opened for any kind of deposits in which there is considerable activity.

Debits
Amounts placed as special
deposits.

Credits
Amounts paid out of special
deposits.
Amounts applied against
liabilities.

122 PETTY CASH

Small funds in the custody of employees or agents for making change or minor disbursements. Record is kept in the account of the amount held by each person and each fund is operated on an imprest basis. A given fund is established in a round amount which is charged to this account when the original voucher is drawn for the cash given to the custodian. Memorandum records are kept by the custodian of expenditures from the fund, supported by receipts, and when more cash is required, or at the end of the month, a reimbursing voucher is drawn for the exact amount of such expenditures. This voucher is charged to the various

accounts to which the expenditures are allocable and not to this account (122). At all times the total of the cash on hand and the unreimbursed expenditures equals the amount of the fund. Increases in the fund are made only by the same procedure as for its establishment. Decreases are effected by depositing the portion no longer required in the general cash account, and crediting this account (122).

<u>Debits</u>	<u>Credits</u>
Amount placed in fund when established.	Amount of decrease in fund.
Amount of increase in fund.	

123 TEMPORARY CASH INVESTMENTS

The cost of temporary investments made from general cash funds, such as demand and time loans, bankers' acceptances, United States Treasury certificates and bonds, and other similar investments acquired for the purpose of temporarily investing cash. The accounting for temporary cash investments follows the principles outlined for account 112, Other Investments.

<u>Debits</u>	<u>Credits</u>
Cost of temporary cash investments acquired.	Cost of temporary cash investments sold or otherwise disposed of.

124.1 NOTES RECEIVABLE--GENERAL

The face value of notes receivable due upon demand or within five years from date of issue. Notes having a maturity date of more than five years from date of issue are carried in account 112, Other Investments. Notes in connection with loans for wiring and plumbing installations pledged with the Rural Electrification Administration are included in account 124.2, Notes Receivable Pledged to REA, and not in this account.

<u>Debits</u>	<u>Credits</u>
Face value of notes receivable due upon demand or within five years from date of issue.	Amount collected on notes receivable (exclusive of interest thereon, unless included in the face). Uncollectible balances written off.

124.2 NOTES RECEIVABLE PLEDGED TO REA

Unpaid balances of notes receivable given by consumers for installation loans, pledged or to be pledged as security with the Rural Electrification Administration for their loan financing such transactions. Such consumers' notes, if they are to be pledged, may be charged directly to this account as received.

<u>Debits</u>	<u>Credits</u>
Amount of notes receivable taken in connection with installation loans pledged as security with Rural Electrification Administration.	Cash collections. Uncollectible balances written off.

125.1 ACCOUNTS RECEIVABLE--ELECTRIC CONSUMERS

Amounts due from consumers for electric services (including surcharges and amortization charges) which have been billed. Bills for merchandising, jobbing, and contract work are charged to account 125.2, Other Accounts Receivable.

This account is debited each month with the net total of bills rendered to consumers for electric service (including surcharges and amortization charges and corrections to bills, but excluding arrears carried forward), and the appropriate revenue or other accounts are credited. As the amounts billed are collected, account 125.1 is credited and the appropriate cash account debited. Notes or warrants received in settlement are credited to account 125.1, and charged to account 124.1, Notes Receivable--General. The total of discounts forfeited or penalties imposed on consumers during the month, including adjustments thereto, is debited to account 125.1, and credited to account 612, Consumers' Forfeited Discounts and Penalties.

Deposits or membership payments are applied against the consumers' account when all efforts to collect the balance have failed. The amounts applied are credited to account 125.1, and charged to account 227, Consumers' Deposits, 200, Memberships Issued, or 204, Memberships Subscribed but Unissued, as the case may be, to the extent that refundable amounts are available. Debit balances remaining after the application of such credits are written off by a charge to account 254.2, Reserve for Uncollectible Accounts--Electric Consumers. The application of membership credits to consumers' accounts and the write-off of uncollectible balances always require the formal approval of the Board of Directors or other governing body.

This account (125.1) is a controlling account and is balanced each month with the supporting detail records.

<u>Debits</u>	<u>Credits</u>
Amount of adjusted net billings to consumers for electrical service.	Cash collections.
Penalties Accrued.	Notes or warrants taken in settlement of consumers' accounts.
Billings for amortization charges.	Deposits or memberships applied against delinquent accounts.
	Uncollectible accounts written off.

125.2 OTHER ACCOUNTS RECEIVABLE

Amounts receivable for merchandising, jobbing and contract work or other. Details of the amounts due from each consumer are kept in a subsidiary ledger and balanced monthly with this account.

An example would be the amount due from the Electric Home and Farm Authority for billing and booking charges. If the account is sufficiently active, a subsidiary ledger is kept containing an account for each debtor, and balanced monthly with the control.

<u>Debits</u>	<u>Credits</u>
Amounts receivable other than those provided for elsewhere.	Amounts collected. Uncollectible accounts written off.

125.3 UNPAID CHECKS RETURNED

This account shall include any and all checks returned by banks on account of insufficient funds. Complete data regarding each check should be maintained.

<u>Debits</u>	<u>Credits</u>
Record of checks returned from bank. (Credit to cash and debit to this account.)	Payment or charge-off to Reserve for Uncollectible Accounts or Surplus.

125.4 ACCOUNTS RECEIVABLE--SPECIAL CONSTRUCTION

Those amounts due the Special Construction Fund from General Funds or any other source.

<u>Debits</u>	<u>Credits</u>
Amounts due Special Construction Fund which are subject to current settlement.	Amount collected.

127 MEMBERSHIP SUBSCRIPTIONS RECEIVABLE

Amounts receivable on memberships subscribed for but not fully paid. The face amount of certificates subscribed is charged to this account with a concurrent credit to account 204, Memberships Subscribed but Unissued.

A subscription ledger is used in which a record is kept for each subscriber showing the amount subscribed, payments, and the balance. The balance in account 127 is checked monthly to see that it is in agreement with the total of the balances of the subscribers' accounts.

<u>Debits</u>	<u>Credits</u>
Face amount of memberships subscribed but not fully paid.	Payments on subscriptions. Cancellations of unpaid subscription balances when authorized by governing body.

128 INTEREST RECEIVABLE

Interest receivable or accrued on bonds, mortgages, notes, commercial paper, loans, open accounts, and deposits owned by the organization including accrued interest purchased are charged to this account. See explanation of account 112, Other Investments. Interest included in the face amount of notes is carried in the same account with the notes and not in this account.

<u>Debits</u>	<u>Credits</u>
Amount of interest becoming receivable.	Amount of interest received.
Accrued interest purchased.	Amount of interest sold.

129 RENTS RECEIVABLE

Rents receivable or accrued on property rented or leased by the organization to others are charged to this account. An example is pole rentals receivable.

<u>Debits</u>	<u>Credits</u>
Amount of rents becoming receivable on account of lease of electric plant; for example, the lease of poles.	Rental collections.
Amount of rents becoming receivable as a result of lease of physical property not devoted to utility operations.	Receivables written off as uncollectible.

131.1 MATERIALS AND SUPPLIES--ELECTRIC

The cost of unissued materials and supplies held primarily for use in electric operations and construction and not for resale is charged to this account.

The cost of materials ordinarily consists of the purchase price at the point of free delivery, customs duties, taxes on purchases, costs of inspection, special tests prior to acceptance, loading and unloading, and transportation charges. Freight in is added to the cost of materials or, when not directly assignable to materials, is charged to account 810, Stores Expenses, Cash and other discounts on materials are, where practicable, deducted in determining the cost of the particular material, or, are credited to the account to which the material is charged. Discounts not handled in this manner are credited to account 810, Stores Expenses.

There are several methods for pricing stores issues, among which the most common are the first-in- first-out method and the average-price method. Only the average-price method will be discussed here. Under this method the cost of materials received is added to the book cost of materials on hand, and an average price determined by dividing the total thereof by the number of units on hand. This average is then used for pricing all subsequent

issues, until the next receipt of materials, at which time a new average is determined.

Materials recovered in connection with construction, maintenance, or retirement of property, which are usable, are charged to this account at current stock prices. If material is not usable, the estimated junk value of the material is charged to this account. Junk should be carried as a separate item in the perpetual inventory records at the amounts charged to this account. Any amounts realized from the sale of junk should be credited to this account and the supporting inventory record.

The cost of repairing material is charged to account 810, Stores Expense, if repair is made on unused material, or to account 144, Retirement Work in Progress, if made on material retired from service.

As far as practical, when scrap materials are sold, the difference between the sales price and the amount at which they are carried in this account (131.1) is adjusted to the accounts credited when the materials were charged to this account. If this procedure is impractical, the difference is reflected in account 810, Stores Expenses. When other materials are sold the difference between the selling price and book value is charged or credited, as the case may be, to account 615, Miscellaneous Electric Revenues.

Perpetual inventory records of materials are kept in quantities and amounts. The total of the balances of amounts shown on each record or the extended quantities is reconciled periodically with the balance in this account (131.1). Quantities shown on these records are checked at intervals with quantities actually on hand.

<u>Debits</u>	<u>Credits</u>
Costs of electric materials and supplies not for resale.	Book cost of materials issued.
Original cost of materials recovered in connection with construction, maintenance, or retirements.	Book cost of materials sold.
Estimated selling price of scrap materials held for sale.	

131.2 MATERIALS AND SUPPLIES--RESALE

The cost of materials and supplies held primarily for merchandising, jobbing and contract work is charged to this account. The procedure outlined in account 131.1, Materials and Supplies--Electric, for determining the cost of materials purchased and issued, and the requirements for the setting up of perpetual inventory records, apply equally well to the materials included in this account.

Consignments are not included in this or any other account. Records are, however, kept in quantities. When consigned materials are sold, a liability account is credited for the amount due the consignor on account of such sale.

<u>Debits</u>	<u>Credits</u>
Cost of materials and supplies held primarily for merchandising, jobbing and contract work.	Cost of materials issued.

132.1 PREPAYMENTS--INSURANCE

The total amount of insurance premiums paid in advance. An entry is made at the end of each month charging the appropriate operating-expense, clearing, or construction-work-in-progress account and crediting this account for the amount of expired insurance premiums applicable to the particular month. See Account 230.4, Accrued Insurance, and Account 798, Insurance.

An insurance register is set up to show full details concerning the amount and type of insurance carried, the company with which carried, the amount of premium, charges to be made each month, and other related information.

<u>Debits</u>	<u>Credits</u>
Premiums paid in advance.	Expired insurance premiums applicable to each month.

132.2 OTHER PREPAYMENTS

Prepayments other than insurance, such as rents, taxes and interest. An entry is made at the end of each month charging the appropriate expense, construction-work-in-progress, or clearing accounts, and crediting this account for the amount applicable to the particular month.

<u>Debits</u>	<u>Credits</u>
Amounts paid in advance not provided for in other accounts.	Amounts transferred to expense or other accounts when expired.

132.3 PREPAYMENTS ON LONG-TERM-DEBT--REA CONSTRUCTION

This account shall include principal payments on mortgage note paid in advance of the date due and not applying to a specific monthly payment. At such time as these payments are applied to a specific monthly payment due, this account shall be credited and the long-term-debt account debited with the amount so applied.

<u>Debits</u>	<u>Credits</u>
Amount of advance payments made by borrower.	Amounts transferred as payment on interest or long-term-debt.

133 OTHER CURRENT AND ACCRUED ASSETS

This account shall include all other current and accrued assets not otherwise provided for.

Debits
Any items included in this account.

Credits
Disposition of or transfer to appropriate accounts.

135.1 ALLOCATION AVAILABLE FROM REA--CONSTRUCTION

This account shall include the total amount of the loan allocated to be used for construction purposes. When advances are received from REA for construction purposes, this account shall be credited and account 120.2, Cash--REA Construction Fund--Trustee, debited with the amount of cash so advanced. This account is debited and account 213.1 is credited when the allocation is established.

Debits
Amount of allocation and return of money previously advanced.

Credits
Advances received from REA on Construction Loan or Allocation rescissions.

135.2 ALLOCATION AVAILABLE FROM REA--INSTALLATION

This account shall include the total amount of the loan allocation to be used for installation purposes. When advances are received from REA, this account shall be credited and account 120.3, Cash--REA Installation Loan Fund, debited with the amount of cash so advanced. This account is debited and account 213.2 is credited when the allocation is established.

Debits
Amount of allocation and return of money previously advanced.

Credits
Advances received from REA on Installation Loans or allocation rescissions.

Deferred Debits

140 UNAMORTIZED DEBT DISCOUNT AND EXPENSE

Expenditure in connection with the long-term loan contracts, notes and mortgages, legal fees, recording of mortgages, notary fees, trustee fees and other expenses connected directly with obtaining financial aid. The balance in this account should be amortized during a period of ten years or less at the discretion of the Board of Directors.

Debits
Expense connected with the issuance of long-term contract, notes, mortgages and bonds.

Credits
Amount amortized each month by charges to account 531, Amortization of Debt Discount and Expense.

141 EXTRAORDINARY PROPERTY LOSSES

Include in this account extraordinary losses, such as unforeseen damages to property (fires, sleet and wind storms, wash-out of dams, etc.) which could not reasonably have been anticipated and which are not covered by reserves or by insurance. The account should be maintained so as to provide

for a complete itemization. Charges to this account are subject to the approval of the Finance Division of REA.

<u>Debits</u>	<u>Credits</u>
Net loss in service value of property retired or removed from service.	Amount amortized each month.

142 PRELIMINARY SURVEY AND INVESTIGATION CHARGES

The expenditures for preliminary surveys, plans, investigations, farm surveys, preallotment surveys, etc., made for the purpose of determining the feasibility of project under contemplation. If construction results, this account shall be credited and the appropriate (work in progress) electric plant account charged. If the work is abandoned, the charges should be to account 414, Miscellaneous Debits to Surplus.

The records supporting the entries to this account should be so kept that complete information as to the nature and purpose of the survey, etc., and the respective amounts of the charges, can be furnished.

<u>Debits</u>	<u>Credits</u>
Cost of supervision, labor, engineering, transportation and other expenses.	Amount of expenditures charged the appropriate (work in progress) electric account.
	Amount charged to account 414, Miscellaneous Debits to Surplus.

144 RETIREMENT WORK IN PROGRESS

The total of the balances of open retirement work orders. The account is charged with the original cost of the electric plant (including all installation costs) when it is retired from service (this is the date the lines are de-energized), the entry being a debit to this account and a credit to the appropriate property account. The cost of removal is charged to this account, and salvage and insurance proceeds are credited to it. Upon completion of the removal, the balance in the retirement work order is closed by charging account 250, Reserve for Depreciation of Electric Plant in Service, or other appropriate depreciation reserve and crediting this account.

In the case of the retirement of non-depreciable plant, the original cost of the electric plant retired should not be charged to account 144. When depreciable plant is retired and the land or land right in connection therewith no longer exists, an adjustment should be made by a credit to the plant account for the original cost, and a corresponding debit to account 538, Miscellaneous Income Deduction. If a credit results from the retirement, the gain should be a credit to account 526, Miscellaneous Non-operating Revenue.

Debits

Original cost of electric plant when retired from service.

Cost of removal (Supervision, labor, transportation, etc.)

Credits

Inventory value of salvaged material reused or placed in stock.

Amount of salvage sold or amount of insurance collected.

Amount transferred to the reserve for depreciation.

145 OTHER WORK IN PROGRESS

The total of open work or job orders for work in progress not provided for elsewhere. Jobbing and contract work for consumers, other utility plant and other physical property work in progress are carried under this account.

Debits

Materials, labor and other expenditures for work in progress not provided for in other accounts.

Credits

Cost of work orders completed.

Materials returned to stores and other credit adjustments.

146 OTHER DEFERRED DEBITS

Debits not provided for elsewhere and the proper disposition of which has not been determined. Extraordinary expenses, properly chargeable to future periods, in the process of amortization and not includible elsewhere are shown here.

Debits

Amounts required to be debited and not provided for elsewhere, and proper disposition of which is undetermined.

Credits

Amounts transferred to appropriate accounts when final disposition has been determined.

LIABILITIES AND OTHER CREDITS

Investment of Members

200 MEMBERSHIPS ISSUED

The total paid-in amount of membership certificates outstanding. As certificates are issued, this account is credited with the amounts paid in. If the membership was sold on the installment plan, the full amount is first credited to account 204, Memberships Subscribed but Unissued, and the credit is subsequently transferred to account 200, when all collections have been made and the certificate issued.

A detailed record is maintained to show for each member the name, address, date of payment, amount paid, and certificate number. A numerical cross index, consisting of certificate stubs or register sheets, is also kept.

If membership fees are applied against energy bills, this account is debited for the full amount of the membership with credits to the appropriate accounts receivable for energy bill, and account payable for any refundable amounts.

Where a transfer fee is collected, the transaction is recorded by debiting account 120.1, Cash--General, and crediting account 615, Miscellaneous Electric Revenues, with the amount of fee collected.

<u>Debits</u>	<u>Credits</u>
Paid-in amount of memberships forfeited and canceled.	Paid-in amount of membership certificates issued.

204 MEMBERSHIPS SUBSCRIBED BUT UNISSUED

The face value of memberships subscribed for but not issued. The account is generally used in those cases where memberships are paid in installments. This account is credited at the time the subscription is received and account 127, Membership Subscriptions Receivable, debited. As collections are received they are credited to the latter account. When fully paid and the certificate has been issued, the amount of the membership is transferred to account 200, Memberships Issued, by a credit to that account and debit to account 204.

If membership fees are applied against energy bills, this account is debited for the full amount of the membership with credits to the appropriate accounts receivable for energy bill, and account payable for any refundable amounts.

<u>Debits</u>	<u>Credits</u>
Face value of memberships subscribed for when fully paid up and issued.	Face value of memberships subscribed for but not issued.
Cancellations of subscriptions when authorized by governing body.	

Long-Term Debt

210 BONDS

The face value of bonds outstanding and not matured which were issued directly for the benefit of the rural electrification, and which are payable solely out of the funds or earnings of the electric department. A separate decimal account is set up for each bond issue and series.

Most statutes authorizing the issuance of bonds require their cancellation upon re-acquirement.

The face value of matured or called bonds which are not presented promptly for payment, or which remain unpaid for

other reasons, are transferred to account 225, Matured Long-Term Debt.

<u>Debits</u>	<u>Credits</u>
Face value of bonds paid at maturity, called, or otherwise re-acquired.	Face value of bonds issued.
Face value of bonds matured but not paid.	

213.1 LONG-TERM DEBT--REA CONSTRUCTION

This account shall include the total contractual obligation to the Rural Electrification Administration for Special Construction Loans.

<u>Debits</u>	<u>Credits</u>
Payment on principal (long-term debt).	Allocations to system by REA (construction).
Rescission of allocations.	

213.2 LONG-TERM DEBT--REA INSTALLATION

This account shall include the total contractual obligation to the Rural Electrification Administration for Installation Loans.

<u>Debits</u>	<u>Credits</u>
Payment on principal.	Allocations to system by REA (installation).
Rescission of allocations.	

213.3 OTHER LONG-TERM DEBT

Long-term debt not provided for in the preceding accounts. A separate account is used for each class of debt.

<u>Debits</u>	<u>Credits</u>
Amount of debt retired at maturity.	Long-term debt other than that provided for in other accounts.
Amount of debt matured but not paid.	

Current and Accrued Liabilities

220 NOTES PAYABLE

The face value of notes, drafts, and acceptances which are payable within a year.

<u>Debits</u>	<u>Credits</u>
Notes paid or transferred to long-term debt.	Face value of notes payable within one year from date of issue.

222.1 ACCOUNTS PAYABLE--GENERAL

Amounts payable by the organization within one year and not provided for in other accounts. The balance in the account should agree with the total of the unpaid audited vouchers which it controls.

222.2 ACCOUNTS PAYABLE--SPECIAL CONSTRUCTION

Amounts payable within one year on open account from Special Construction Funds. The balance in the account should agree with the total of the unpaid audited vouchers which it controls.

222.3 ACCOUNTS PAYABLE--OTHER

Amounts payable which are subject to current settlement. The liability is created as an agent for collections due the EH&FA, wiring inspectors, contractors, etc. The account should be maintained so the amount due each agency is identifiable.

Debits
Payments.

Credits
Amounts payable for collections made under contract or agreements as a collection agent.

222.4 ACCOUNTS PAYABLE TO THE SPECIAL CONSTRUCTION FUND

Amounts owing to the special construction fund from general or other funds shall be reflected in this account with a contra account designated Accounts Receivable--Special Construction. When transfers of funds are made to the Special Construction Fund, the balance in this account should be reduced in the proper proportion.

225 MATURED LONG-TERM DEBT

Long-term debt previously carried in accounts 213.1 and 213.2 which has matured but has not been paid, and concerning which there is no specific agreement for extending the time of payment. Separate decimal accounts are maintained for each class of matured long-term debt.

Debits
Matured or called debt paid.

Credits
Long-term debt carried in account 213 which has matured.

226 MATURED INTEREST

Matured unpaid interest on long-term debt carried in accounts 213.1 and 213.2.

Debits
Matured interest paid or
credited to accounts 213.1
and 213.2.

Credits
Matured unpaid interest on
long-term debt carried in ac-
counts 213.1 and 213.2.

227 CONSUMERS' DEPOSITS

Deposits by consumers as security for the payment of bills. A detailed record is kept of the deposit made by each consumer and the total of the details of this record is balanced with the control monthly.

Debits
Deposits refunded.
Deposits applied against
delinquent accounts.

Credits
Deposits made by consumers.

228 TAXES ACCRUED

Accrued property taxes, old-age benefit taxes, state unemployment taxes, federal unemployment taxes, or other taxes, including employees' contributions to social security taxes. Separate decimal accounts are opened for each kind of tax as follows:

- 228.1 - Accrued Property Taxes
- 228.2 - Accrued U. S. Social Security Tax--Unemployment
- 228.3 - Accrued U. S. Social Security Tax--Old Age Benefit
- 228.4 - Accrued State Social Security Tax--Unemployment
- 228.5 - Accrued State Sales Tax--Consumers
- 228.6 - Accrued Income Tax
- 228.7 - Accrued Taxes--Other

In certain instances, taxes paid are applicable at least in part to the period subsequent to the date of the balance sheet. Such payments, as already indicated, to the extent that they apply to such future period, are set up in account 132.2, Other Prepayments, and charged to the appropriate expense account in the applicable period.

Debits
Taxes paid.

Credits
Property taxes, old-age-
benefit taxes, state unemploy-
ment taxes, and federal
unemployment taxes (including
employees' contributions) which
have accrued.

229.1 INTEREST ACCRUED---REA CONSTRUCTION OBLIGATION

Interest accrued but not due on the long-term debt carried in account 213.1, Long-Term Debt--REA Construction. Interest not

paid when due is transferred to account 226. Matured Interest, unless it has been deferred in accordance with the terms of the contract, in which case it is transferred to account 229.4, Interest Accrued - Deferred -- REA Construction. Interest should be accrued monthly by debiting account 530.1, Interest on REA Construction Loan and crediting this account. See remarks under account 229.4, Interest accrued Deferred -- REA Construction, for interest during construction.

<u>Debits</u>	<u>Credits</u>
Interest paid on due date.	Current interest accrued
Interest matured and transferred to account 226, Matured Interest.	on net long-term debt balance for construction.

229.2 INTEREST ACCRUED -- REA INSTALLATION-OBLIGATION

Interest accrued but not due on the long-term debt carried in account 213.2, Long-Term Debt--REA Installation. Interest not paid when due is transferred to account 226, Matured Interest.

<u>Debits</u>	<u>Credits</u>
Interest paid on due date.	Interest accrued on long-
Interest matured and transferred to account 226, Matured Interest.	term debt carried in account 213.2, Long-Term Debt -- REA Installation.

229.3 OTHER INTEREST ACCRUED

Interest accrued but not due on debt carried in account 213.3, Other Long-Term Debt, and any other accrued interest not included in the foregoing accounts such as interest on consumers; deposits in states that require it to be accrued. Interest not paid when due is transferred to account 226, Matured Interest.

<u>Debits</u>	<u>Credits</u>
Interest paid on due date.	Interest accrued on
Interest matured and transferred to account 226, Matured Interest.	long-term debt carried in account 213.3, Other Long-Term Debt, and other interest not provided for elsewhere.

229.4 INTEREST ACCRUED-DEFERRED--REA CONSTRUCTION

Interest deferred by the terms of mortgage note or extension agreement is recorded by a transfer from account 229.1, Interest Accrued -- REA Construction Obligation, to this account. Interest chargeable to construction is recorded by a debit to account 103.2, Construction Work in Progress -- Special construction, and a credit to account 536, Interest Charged to Construction - Credit.

<u>Debits</u>	<u>Credits</u>
Payments made on deferred interest.	Interest accruing on REA construction loans during the period for which it is deferred by terms of the notes.

230.1 ACCRUED RENTALS

Unpaid pole and other rentals.

Debits
Rentals paid.

Credits
Accrued pole and other
rentals.

230.2 ACCRUED EMPLOYEES' INCOME TAX WITHHELD

Liability incurred for the deduction made from the employee's salary to cover income tax required to be withheld by the employer.

Debits
Tax paid or adjustment for
over-deductions.

Credits
Amount withheld from
salaries and wages for
employees' Income Tax.

230.3 ACCRUED PAYROLL

The accrued liability for salaries and wages at the end of an accounting period for which the appropriate expense or other accounts have been charged. This account is to be used whether salaries and wages are paid on a weekly, semi-monthly or monthly basis.

Debits
Payments for accrued
salaries or wages.

Credits
Accrued salaries and
wages.

230.4 ACCRUED INSURANCE

This represents the accrued liability for insurance at the end of an accounting period. Most insurance is paid for in advance and the premium charged to account 132.1, Prepayments--Insurance.

This account will most commonly be used in the case of workmen's compensation and public liability insurance for recording the excess amounts of earned premium, over the estimated advance premiums. Earned premiums are computed each month by applying the insurance rates to the actual payrolls. Until the amount of the advance premiums is exhausted, the earned premiums will be credited to account 132.1, Prepayments--Insurance. Earned premiums in excess of the advance premiums are credited to this account (230.4).

Debits
Payments of accrued liability
in cash.

Credits
Accrued liability for
insurance.

230.5 OTHER CURRENT AND ACCRUED LIABILITIES

Current and accrued liabilities not provided for elsewhere.

Debits
Current and accrued liabilities paid.

Credits
Current and accrued liabilities not provided for in other liability accounts.

Deferred Credits

241 CONSUMERS' ADVANCES FOR CONSTRUCTION

Advances by consumers for construction which are to be refunded either wholly or in part. When the amount to which a consumer is entitled is refunded to him, the non-refundable balance, if any, is transferred to account 265.1, Contributions in Aid of Construction.

Debits
Refunds to consumers.
Amounts to be retained permanently by the organization.

Credits
Refundable advances by consumers to finance construction.

242.1 DEFERRED CREDITS--UNEARNED INCOME

Unearned income from advance payments made by consumers for service such as annual consumer service contracts paid in advance by schools, churches, etc. A subsidiary record should be maintained to show the consumer's name, amount paid, date and balance.

Debits
Amount earned.
Amounts whose disposition is finally determined.

Credits
Advance billings and collections.

242.2 OTHER DEFERRED CREDITS

Receipts and other deferred credit items not provided for elsewhere. The account includes credit amounts which cannot be entirely disposed of until additional information is received or which are to be credited to income accounts in the future.

Debits
Amount earned.
Amounts whose disposition is finally determined.

Credits
Other credit items which cannot be entirely disposed of until additional information is received.

250 RESERVE FOR DEPRECIATION OF ELECTRIC PLANT IN SERVICE

Provision for the accumulated depreciation on electric plant in service.

Depreciation expense is computed monthly using prescribed rates for each class of plant developed from depreciation studies. The rates are individually applied to the respective balance in each electric plant account at the beginning of the month. Where classified original cost has not been determined for acquired operating properties, depreciation is estimated on the basis of the best information available. Certain types of assets are nondepreciable (although they may be subject to amortization) and are excluded in computing depreciation accruals. Among these are the assets carried in accounts 301, Organization, 302, Franchises and Consents, and 303, Miscellaneous Intangible Plant, and the land and land right accounts. Depreciation expense is recorded monthly by credits to the reserve and concurrent charges to the depreciation expense accounts 503.3, 503.4, and to the applicable clearing accounts.

Depreciation requirements at acquisition on acquired operating units or systems are credited to the reserve account and charged to account 391, Electric Plant Purchased, as described in that account. The depreciation requirements are related to original cost. When necessary, provision is also made in the computations for the estimated expenditures required to bring the purchased property up to the purchaser's operating standards and for the premature retirement of acquired property temporarily used which will be abandoned upon the integration of the systems.

Plant retirements, electric generating, transmission and distribution plant are recorded by means of retirement work orders carried under account 144, Retirement Work in Progress. After being charged with the original cost of the retired property, completed retirement work orders for depreciable plant are closed into the reserve account (250) as explained in account 144. Such entries are kept to show (1) original cost of the property retired, (2) cost of removal, (3) salvage, (4) recoveries from insurance.

Separate decimal accounts are maintained for each major class of plant as follows:

- 250.1 - Reserve for Depreciation of Production Plant
- 250.2 - Reserve for Depreciation of Transmission Plant
- 250.3 - Reserve for Depreciation of Distribution Plant
- 250.4 - Reserve for Depreciation of General Plant

The records should be so maintained that they will definitely disclose the charges and credits to account 250.4 applicable to each class of general plant.

Balances are checked periodically with estimates based on accumulated experience and engineering studies. Adjustments.

are made through changes in rates used in subsequent periods, except that substantial deficiencies in the reserve arising from extraordinary retirements or other causes are provided for by current charges to the appropriate depreciation expense and clearing accounts.

<u>Debits</u>	<u>Credits</u>
Balances in completed retirement work orders, analyzed to show original cost, cost of removal, less salvage or other recoveries.	Monthly depreciation accruals. Accrued depreciation on acquired property. Special accruals to provide for extraordinary retirements.

251 RESERVE FOR AMORTIZATION OF LIMITED-TERM ELECTRIC INVESTMENTS

The accumulated provision for the amortization of intangible assets having a limited life. Examples of such assets are franchises, licenses, patent rights, and limited-term interests in land and land rights. Accruals are made to the account by debits to account 504, Amortization of Limited-Term Electric Investments. The records are kept in such a manner that it is possible to identify readily the balance applicable to each item of intangible plant. When such assets expire or are otherwise retired from service, the book cost thereof, to the extent provided for in this account, is charged to the account.

<u>Debits</u>	<u>Credits</u>
Book cost of limited-term investments written off.	Amount amortized each month.

252 RESERVE FOR AMORTIZATION OF ELECTRIC PLANT ACQUISITION ADJUSTMENT

Provision for the amortization of electric plant acquisition adjustment. The accounts should be so maintained as to show the amount for each acquisition.

<u>Debits</u>	<u>Credits</u>
Amount amortized periodically.	Amount amortized periodically.
Amount closed to account 100.5.	Amount closed to account 100.5.

253 RESERVE FOR DEPRECIATION AND AMORTIZATION OF OTHER PROPERTY

The accumulated depreciation and amortization on plant carried in account 108, Other Utility Plan, and account 110, Other Physical Property. The principles outlined for account 250, Reserve for Depreciation of Electric Plant in Service, apply to this account.

Debits
 Book Cost of property
 written off less net salvage.

Credits
 Amount accrued each month.

254.1 RESERVE FOR UNCOLLECTIBLE NOTES RECEIVABLE

Provision for estimated losses on outstanding notes receivable. The reserve is accumulated by debiting expense accounts related to the transactions for which the notes were taken. In the case of the wiring and plumbing notes, provision for the uncollectible amounts is charged to account 527, Nonoperating Revenue Deductions. See the explanation of account 254.2, Reserve for Uncollectible Accounts--Electric Consumers, for further details regarding the operation of such a reserve account.

Debits
 Unpaid balances of notes
 determined to be uncollectible
 and authorized for write-off.

Credits
 Provision for estimated
 losses.
 Collections of notes
 receivable previously written
 off as uncollectible.

254.2 RESERVE FOR UNCOLLECTIBLE ACCOUNTS--ELECTRIC CONSUMERS

Provision for estimated losses from bad debts on amounts carried in account 125.1, Accounts Receivable--Electric Consumers. The reserve is generally accumulated by monthly charges to account 783, Uncollectible Accounts, for the estimated losses from uncollectible consumers' accounts based on a percent of gross revenues. In determining the estimated losses, it is necessary to consider previous bad-debt experience and the relationship of the amount in the reserve to the total of the delinquent balances in the electric accounts receivable.

Periodically, and at least at the close of each calendar year, delinquent accounts are reviewed and those which appear definitely uncollectible are set up in a schedule and submitted to the governing body for approval for write-off. Accounts thus approved are then written off by crediting them and their controlling account (125.1) and charging the reserve account (254.2). Where consumers' deposits or membership fees are available for application against uncollectible accounts, they are first applied against such accounts. Balances remaining in consumers' accounts after application of the deposits or membership fees are then charged against the reserve.

Recoveries on accounts previously written off are credited to the reserve account (254.2) rather than to an income account. An alphabetical card record of accounts written off is maintained on which recoveries are noted, and to which reference is made each time an application for new service is received.

Debits

Amounts determined to be uncollectible and authorized for write-off.

Credits

Provision for estimated losses each month.

Collections of accounts receivable previously written off as uncollectible.

254.3 RESERVE FOR OTHER UNCOLLECTIBLE ACCOUNTS

Provision for the estimated losses from bad debts on outstanding accounts receivable not provided for elsewhere. The reserve is accumulated by debiting expense accounts related to the transactions by which the receivables arose.

258 RESERVE FOR AMORTIZATION OF LONG-TERM DEBT

An amount appropriated or set aside from surplus earnings for the redemption or amortization of REA obligation in accordance with the requirements or approval of REA. The offsetting charge is made to account 540, Miscellaneous Reservations of Net Income. The amount of this reserve should not be in excess of the amount of funds set aside to amortize the long-term debt. Ordinarily these earmarked funds are charged to account 114.1, Long-Term Debt Fund--Federal Agencies, but if the cash has already been forwarded to REA as a cushion-of-credit, the amount in account 132.3, Prepayments on Long-Term Debt, shall be considered as supporting the reserve. This reserve should be adjusted accordingly as amounts in accounts 114.1 and 132.3 are applied against the long-term debt. Offsetting adjustment to this account should be made to earned surplus.

Debits

Amount transferred to surplus.

Credits

Amount amortized each month.

265.1 CONTRIBUTIONS IN AID OF CONSTRUCTION

Transfers of amounts in this account can only be made to account 393, unless specific approval is obtained from REA to transfer amounts to other appropriate accounts. Records supporting the entries to this account shall be so kept that the organization can furnish information as to the source of each donation, the purpose, amount and conditions, if any, on which it was made. When the construction for which the specific contribution was made is completed and entered in the plant accounts, the amount of the contribution is transferred from this account to account 393, Donations in Aid of Construction - Credit, provided the amount of the contribution does not exceed the cost of construction, in which case the construction cost is the amount transferred.

265.2 CONSUMERS' CONTRIBUTIONS FOR DEBT SERVICE

Amounts billed to consumers as "amortization charges" for the

express purpose of servicing long-term debt. See account 114.1, Long-Term-Debt-Fund--Federal Agencies, for the segregation of cash arising from such collections when not remitted monthly to creditors.

Debits

Credits

Amounts billed to consumers for the express purpose of servicing long-term debt.

Surplus

270 CAPITAL SURPLUS

Equities forfeited by members, other gains on reacquired memberships, and other capital gains not provided for elsewhere.

By-Laws of cooperatives generally provided that members leaving its lines owing for electric or other service shall forfeit their memberships and equity in the association. The portion of a forfeiting member's equity, which is normally refundable, and the excess, if any, of the refundable portion over the amount of his obligations to the association are both credited to this account (270).

Entries to this account are made so as to clearly disclose the nature and source of each transaction.

Debits

Credits

Capital gains on forfeited memberships, contributions not intended for construction.

271 EARNED SURPLUS

The accumulated net income or loss arising from operations of the electric system, after the deduction of extraordinary income items. The account is credited at the close of each calendar year with the net income for the year or charged with the loss.

The entries for all operating transactions are reported through the income accounts and not entered directly in the earned surplus account. Extraordinary or nonrecurring gains and losses, and adjustments applicable to prior years' operations, if substantial, are described or disclosed by footnotes on the income statement for the year in which reported.

Debits

Deficit transferred from income accounts at close of fiscal year.

Credits

Net income transferred from income accounts at close of fiscal year.

SECTION IV

LIST OF ELECTRIC PLANT ACCOUNTS

Intangible Plant

- 301 Organization
- 302 Franchises and Consents
- 303 Miscellaneous Intangible Plant

Distribution Plant

- 350 Land and Land Rights
- 351 Structures and Improvements
- 352 Station and Storage Battery Equipment
- 354 Poles, Towers, and Fixtures
- 355 Overhead Conductors and Devices
- 356 Underground Conduit
- 357 Underground Conductors and Devices
- 358 Line Transformers
- 359 Services
- 360 Meters
- 361 Installations on Consumers' Premises
- 362 Leased Property on Consumers' Premises
- 363 Street Lighting and Signal Systems

General Plant

- 370 Land and Land Rights
- 371 Structures and Improvements
- 372 Office Furniture and Equipment
- 373 Transportation Equipment
- 374 Stores Equipment
- 375 Shop Equipment
- 376 Laboratory Equipment
- 377 Tools and Work Equipment
- 378 Communication Equipment
- 379 Miscellaneous Equipment
- 391 Electric Plant Purchased
- 392 Electric Plant Sold
- 393 Donations in Aid of Construction - Credit

SECTION IV

DESCRIPTION OF ELECTRIC PLANT ACCOUNTS

General

Purpose of electric plant accounts: Utility plant generally constitutes from 80% to 90% of the assets of an electric distribution system. These assets are consumed in service over periods of time ranging from a few months to many years. Accurate and comprehensive accounting for plant is therefore essential to efficient management and control of the properties and to an accurate determination of current operating results. By means of adequate plant records, physical plant can be identified and reconciled with the amounts carried in the accounts and the integrity of the plant asset accounts maintained and verified. Furthermore, the removal of correct amounts from the accounts for plant retired from service is materially facilitated by such records, and accurate data are made available to determine the adequacy of accumulated reserves for depreciation through studies of the system's service-life experience.

The detailed electric plant accounts (300 number series) are described in this section. The accounts provide a more detailed functional classification of electric plant assets, grouped as follows:

Intangible Plant
Distribution Plant
General Plant

No accounts have been provided in the manual for production or transmission plant since most of the organizations using the manual do not have such plant facilities. Systems having Generation and Transmission facilities should refer to the Federal Power Commission Uniform System of Accounts for accounts necessary to properly classify plant and expenses.

Cost basis: The electric plant accounts are stated at original cost, which is cost to the person first devoting the property to public utility service. However, plant acquired as an operating unit or system is temporarily carried at the cost to the purchaser (including acquisition expenditures) in account 391, Electric Plant Purchased, from which account it is distributed when the original cost and depreciation requirements have been determined. Account 392, Electric Plant Sold, is used only as a clearing account in the sale of operating units or systems. An operating unit consists of an installed portion of a distribution system such as a substation or section of line.

Plant constructed in whole or part from contributions from consumers or others is included in the electric plant accounts at cost, and accounted for in the customary manner. Donated labor, materials, and services which add to the physical plant are included in the electric plant accounts at the cost to the organization donating them, except that such cost is not recorded in excess of that which

would have been incurred if the construction had been done by the municipality or cooperative employing labor at local rates.

The cost of improvements (repairs, rearrangements, additions, and betterments required to place the property in condition for use) to property leased from others may be charged to the electric plant accounts for the class of property leased, if substantial. Separate decimal accounts are used for this purpose. Improvements of relatively minor cost or short life, or if the lease expires within one year after such improvements, are charged to the account in which the rent expense is included. Capitalized improvements to leased property are depreciated over the remaining life of the lease or life of the improvements, whichever is the shorter period of time. The depreciation is recorded in the same manner as for other depreciable electric plant.

Components of construction cost: The cost of construction, as it appears on the books of the person first devoting the system to public utility service, is used for stating the original cost of acquired operating properties even though the accounting practices followed by such person in computing the costs are not wholly consistent with the policies in this manual, and provided such predecessor records are not grossly inaccurate due to omissions and inclusions contrary to ordinary good accounting practice. In the case of properties constructed by or for an organization using the manual, the cost of construction at which the properties are stated in the electric plant accounts includes the materials, supplies, labor, services, and other items consumed or employed in the construction and installation of the plant and also of preliminary studies, plans, surveys, engineering, supervision, and general expenses which contribute directly and immediately to the plant without duplication of such costs.

Construction costs are accumulated in Construction Work in Progress accounts (103.1, 103.2 and 103.3). Upon completion of the respective project or extension which such costs represent, the costs are transferred to account 103.4, Unclassified Electric Plant in Service, until a Final Inventory or Work Order is prepared and approved, after which the costs are distributed to the appropriate plant accounts.

Descriptions of the more common elements of construction cost are as follows:

Labor: Salaries, wages, or other compensation of employees engaged on construction work, and workmen's compensation insurance, social security taxes, and other items computed on the basis of payrolls.

Materials: Equipment, parts, fixtures, and other tangible objects of which the constructed facility is comprised. The cost of materials includes the purchase price at the point of free delivery, plus taxes, transportation, unloading, inspection, and the related stores expenses, less discounts allowed. Material cost includes materials lost or destroyed in the process of construction, and is reduced for unused material returned from the job.

Materials: Equipment, parts, fixtures, and other tangible objects of which the constructed facility is comprised. The cost of materials includes the purchase price at the point of free delivery, plus taxes, transportation, unloading, inspection, and the related stores expenses, less discounts allowed. Material cost includes materials lost or destroyed in the process of construction, and is reduced for unused material returned from the job.

Transportation: Transportation of employees, materials, tools, and other work equipment to and from points of construction.

Engineering and Supervision: The portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents and their assistants, applicable to construction.

Contract Work: Expenditures incurred for construction work performed by others under contract, including expenditures incident to the award of such contracts and the inspection of such work.

General Administration Capitalized: The portion of the pay and expenses of the general officers and administrative and general expenses applicable to construction work. Such charges are based primarily on a time or direction-of-effort basis.

Interest During Construction: The net cost of borrowed funds used for construction purposes during the period of construction. Hypothetical interest or interest on funds not borrowed specifically for construction purposes is not a construction cost. Interest charges to construction cease when the constructed property is placed in operation or is ready for service. See the explanation for account 536, Interest Charged to Construction--Credit.

Changes in Electric Plant:

All changes in electric plant ordinarily arise through construction, acquisition, retirement or sale. These changes are recorded through the medium of Final Approved Inventories, Final Approved Work Orders, purchases not included in Final Approved Inventories or Final Approved Work Orders, and overhead construction costs not included in the above.

In accounting for plant changes, all property is considered as being either (1) a unit of property or (2) a minor item of property. Minor items of property are the component parts comprising a unit of property. Replacements of minor items are generally charged directly to maintenance expense rather than by recording changes in plant, thus materially simplifying the accounting, with little, if any, sacrifice to the accuracy in the plant accounts. The accounting for the two classes of property is summarized as follows:

Unit of Property:

- (1) When a unit of property is added to plant, the original cost thereof is added to the appropriate electric plant account.

- (2) When a unit of property is retired from electric-plant, with or without replacement, the original cost thereof is credited to the electric plant account, and charged to account 144, Retirement Work in Progress, if the unit retired is of a depreciable class. On completion of the retirement, the balance in account 144 for the specific retirement is closed into the appropriate reserve for depreciation. When land and land rights, which is a non-depreciable asset, is retired, the cost is not charged to account 144. Gains on the retirement of nondepreciable property are credited to account 526, Miscellaneous Non-operating Revenues. Losses from this source are charged to account 538, Miscellaneous Income Deductions.

Minor Items of Property:

- (1) When a minor item of property is installed in the system, the installed cost is a maintenance expense and is not to be added to the plant accounts.
- (2) When a minor item of property is retired from the system, with or without replacement, the cost of removal is charged to maintenance expense. The value of any material salvaged is credited to the maintenance account which is charged with the cost of removal.

It is essential that a distinction be made between "units of property" and "minor items of property" since the replacement of a unit of property involves a retirement and addition to plant, whereas the removal or replacement of a minor item of property is treated as a maintenance expense.

Intangible Plant

301 ORGANIZATION

Expenditures incident to organizing the municipality or cooperative and securing the initial wholesale power contract are charged to this account. Examples of such expenditures are fees and expenses required to secure corporate charter for a cooperative or to establish a board of public utilities or similar organization; also, legal fees and expenses required to secure execution of the initial contracts. Expenditures relating to financing, such as the flotation of bonds or negotiation of loans from REA are not charged to this account but to account 140, Unamortized Debt Discount and Expense. Costs of preliminary surveys and investigations for construction of lines, whether of the original project or subsequent extensions, are not included in this account but are temporarily charged to accounts Construction Work in Progress or account 142, Preliminary Survey and Investigation Charges, and subsequently disposed of in the manner outlined in the text of the accounts.

The benefits derived from the expenditures included in this account are enjoyed by the organization as long as it continues to operate. While this circumstance might justify carrying the amount as an intangible asset until the dissolution of the organization, it is desirable to anticipate the possibility of its eventual loss by writing the amount off over a reasonable period of years.

302 FRANCHISES AND CONSENTS

Amounts paid to the Federal government, a state, or municipality, or any other governmental unit for a franchise or consent, together with reasonable expenses incurred in securing it, are charged to this account.

The cost of limited-term franchises are amortized over the period of their benefit to the organization; the periodic entry being a debit to account 504, Amortization of Limited-Term Electric Investments, and a credit to account 251, Reserve for Amortization of Limited-Term Electric Investments. Upon the expiration or disposal of a franchise, the cost is retired from this account (302) and charged to the reserve account (251).

303 MISCELLANEOUS INTANGIBLE PLANT

The cost of patent rights, licenses, privileges and other intangible property necessary or valuable in the electric operations and not specifically chargeable to any other account, are charged to this account. The amortization and retirement of items in this account are identical with the procedures for limited-term franchises described in account 302, Franchises and Consents.

Distribution Plant

GENERAL

For the purpose of this manual, "distribution plant" (electric plant accounts 350 through 363) comprises the land, structures, equipment, lines and other facilities employed directly in the delivery of electricity to consumers. Where a substantial amount of high voltage lines is operated for transmission of current from points of purchase to distribution centers, such plant is classed as "transmission" and carried in electric plant accounts 340 through 349. As previously indicated, however, accounts for transmission functions have not been included in the manual. (See Federal Power Commission Manual.)

Some of the account titles for distribution plant are identical with some for general plant, and care is required to avoid confusion between them.

350 LAND AND LAND RIGHTS

Cost of land owned in fee and rights, interest, and privileges held in land owned by others, used for distribution purposes. Examples of land rights are easements, rights-of-way, and leaseholds.

Upon the sale or other disposal of a piece or parcel of land or perpetual land right, the original cost thereof is retired from the plant account. Since the reserves for depreciation do not provide for the retirement of non-depreciable assets, any gain resulting from such disposal should be credited to account 526, Miscellaneous Non-operating Revenue, and if a loss results, it should be charged to account 538, Miscellaneous Income Deductions. Limited-term land rights are amortized and retired in accordance with the procedure for limited term franchises described in account 302, Franchises and Consents.

The following items are included in the cost of land and land rights:

- Buried bulkheads not requiring maintenance or replacement.

- Cost of acquisition, including mortgages and other liens assumed (but not subsequent interest thereon).

- First cost of clearing the land of brush, trees, and debris, less recoveries; and also first cost of tree trimming.

- Removal of improvements acquired with the land not used in electric operations, less salvage. (Note: Structures and other improvements acquired with the land and used in electric operations are carried in the appropriate structures and improvements account, the cost thereof being determined on the basis of appraisals when not identifiable in the purchase price.)

- Condemnation proceedings, including court and counsel costs.

- Payments for consents and abutting damages.

- Conveyances and Notaries fees.

- Fees, commissions, and salaries to brokers and agents.

- Grading the land, except when directly occasioned by the building of a structure.

- Cost of voiding leases to secure possession.

Removing, relocating, or reconstructing property of others in order to acquire quiet possession.

Special assessments levied by public authorities on the basis of benefits for public improvements, such as new roads, new bridges, new sewers, new curbing, and new pavement; but not taxes levied to provide for the maintenance of such improvements or cost of improvements included in the general tax levy.

Surveys in connection with the acquisition. (Note: Staking of lines is part of construction overhead and is not chargeable to cost of land and land rights.)

Taxes assumed, accrued to date of transfer of title.

Examining, clearing, insuring, and registering title in connection with the acquisition and defending against claims relating to the period prior to the acquisition.

351 STRUCTURES AND IMPROVEMENTS

The installed cost of permanent buildings and structures to house, support, or safeguard property or persons, and improvements of a permanent character on or to land, used for distribution purposes are charged to this account. Structures include all fixtures permanently attached to and make a part of the structure and which cannot be removed therefrom without cutting into the walls, ceilings, or floors or without in some way impairing the structures.

Improvements include the following:

Fences and fence curbs (but not protective fencing isolating individual items of equipment, which is charged to the appropriate equipment accounts).

Landscaping, lawns, shrubbery, etc.

Sewer systems.

Sidewalks, curbs, and streets constructed by the organization.

Water-supply piping, hydrants, and walls.

Yard-drainage systems.

Yard-lighting systems.

Yard surfacing, gravel, concrete, or oil.

Structures include the following units of property:

Air conditioning or ventilating system.

Boiler, furnace, hot-water heater, or automatic stoker.

Burner system, gas or oil.

Coal or ash conveying system.

Elevator complete with operating mechanism.

Equipment item, such as a motor, generator, engine, turbine, pump, compressor, ventilating fan, air washer, elevator drum, or similar item of equipment includible in structures, with or without associated wiring, and control equipment.

Fire-escape system.

Fire-protection system.

Foundation, when includible in structures.

House-lighting or power board.

Lighting fixtures, with or without associated wiring and conduit.

Roof, with or without supporting members. (A structure of irregular shape having more than one roof level may have several isolated roofs each of which is considered an entire roof. In the case of structures to which lateral extensions have been made, even though having but one roof level, that part of the roof covering an entire section built at one time is considered an entire roof.)

Structure, complete.

Tank.

352 STATION AND STORAGE BATTERY EQUIPMENT

The installed cost of equipment in stations used for the purpose of changing the characteristics of electricity and the installed cost of storage battery equipment used for the purpose of supplying electricity to meet emergency or peak demands, used for distribution purposes. The cost of foundations and settings, especially constructed for and not expected to outlast the station equipment for which provided, are included in this account. The cost of rectifiers, series transformers, and other special station equipment devoted exclusively to street lighting service is not included in this account but in account 363, Street Lighting and Signal Systems.

354 POLES, TOWERS AND FIXTURES

The installed cost of poles, towers and appurtenant fixtures used for supporting overhead distribution conductors and service wires. The account includes all poles in service and those used exclusively for consumers' services or street lighting or signal systems; but not standards constructed exclusively for street lighting which are provided for in account 363, Street Lighting and Signal Systems. All insulators, guys, crossarms, racks, brackets, and related hardware in service, including those attached to poles owned by others, are carried in this account.

The installed cost of poles and towers includes the original inspecting, shaving, painting, gaining, roofing, stenciling, tagging, excavating and back-filling, setting reinforcing and stubbing, and foundations.

355 OVERHEAD CONDUCTORS AND DEVICES

The installed cost of overhead conductors, crossing guards, overhead and pole ground wires, and sectionalizing switches, used for distribution purposes. The account includes clamps, splices and line protective devices. The cost of conductors used solely for street lighting or signal systems is not included in the account but in account 363, Street Lighting and Signal Systems. Conductors used in consumers' services are carried in account 359, Services.

356 UNDERGROUND CONDUIT

The installed cost of underground conduit and tunnels used for housing distribution cables or wire. The account includes such items as transformer vaults, risers and standpipes, foundations and settings specially provided, lighting systems, manholes and related equipment, sewer connections, sumps including pumps, and ventilating equipment.

The installed cost includes the cost of excavating, municipal inspection, permits, cutting and replacing pavements, etc. The cost of underground conduit used solely for street lighting or signal systems is not included in this account but in account 363, Street Lighting and Signal Systems. Underground conduit used in consumers' Services is carried in account 359, Services.

357 UNDERGROUND CONDUCTORS AND DEVICES

The installed cost of underground conductors and devices used for distribution purposes is charged to this account. The account includes insulators, splices, circuit breakers, protective devices, potheads, junction boxes, and switches. The cost of installing conductor in the conduit and, where conduit is not used, the cost of burying armored conductor in the ground are included in this account. The cost of underground conductors and devices used solely for street lighting or signal systems is included in account 363, Street Lighting and Signal Systems. The cost of underground conductor used in consumers' services is carried in account 359, Services.

358 LINE TRANSFORMERS

The installed cost of overhead and underground distribution line transformers, boosters, pole type and underground voltage regulators, lightning arresters and cutouts, for use in transforming electricity to the voltage at which it is to be used by the consumer, with the following exceptions, is charged to this account:

Transformers used in substations are carried in account 352, Station and Storage Battery Equipment.

Instrument transformers used in connection with metering equipment are carried in account 360, Meters.

Transformers leased to consumers are carried in account 362, Leased Property on Consumers' Premises.

Transformers used exclusively for street lighting or signal systems are carried in account 363, Street Lighting and Signal Systems.

The cost of a transformer includes the cost of its first installation; but all subsequent costs of removing and resetting are charged to account 761, Operation of Lines.

Transformers held in reserve remain in this account.

359 SERVICES

Installed cost of conductors and conduits leading from a point where the wires leave the last pole of the overhead system or the distribution line, to the point of connection with the consumer's outlet or wiring, is charged to this account. Normally the consumer's wiring includes the service entrance which runs from the leads from the service drop through the service switch. If the organization provides any portion of the service entrance and retains title thereto by written agreement with the property owner, the cost thereof is included in this account.

The cost of service entrances or parts thereof provided by the organization to which title is not retained is charged to appropriate expense, the detail account being dependent upon whether the expense is considered services on consumers' premises or a utilization expense.

360 METERS

The installed cost of meters or devices and appurtenances for use in measuring the electricity delivered to consumers or consumed by the organization. Current limiting devices, instrument transformers, and related items used in conjunction with metering equipment are carried in this account. The account includes all metering equipment, whether actually in service or held in reserve, except equipment in substations used for purposes other than measuring electricity delivered to consumers, which is carried in account 352, Station and Storage Battery Equipment.

The cost of a meter includes the cost of its first installation, but all subsequent costs of removing and resetting are charged to account 761, Operation of Lines.

361 INSTALLATIONS ON CONSUMERS' PREMISES

The installed cost of equipment on the consumer's side of a meter when the organization retains title to and assumes full responsibility for maintenance and replacement of such property. Athletic-field and part lighting facilities, if owned and operated by the organization, are included in this account. The account does not include any part of the service entrance owned by the organization which is carried in account 359, Services.

362 LEASED PROPERTY ON CONSUMERS' PREMISES

The cost of equipment on consumers' premises leased or loaned to consumers. The account does not include property held for sale. The costs of setting, connecting, resetting, and removing leased or loaned property on consumers' premises are not charged to this account but to account 761, Operation of Lines.

363 STREET LIGHTING AND SIGNAL SYSTEMS

The installed cost of equipment used wholly for public street and highway lighting or traffic, fire alarm, police, and other signal systems. The account includes ornamental lighting standards and, when used exclusively for street lighting and signal systems, it includes overhead and underground conductors and devices and conduit, transformers, rectifiers, control devices and other equipment except meters. If the equipment is used partially for such purposes and partially for general distribution purposes, it is not carried in this account but in the same account or accounts as similar plant used exclusively for general distribution purposes. Ordinary electric poles, however, are always carried in account 354, Poles, Towers and Fixtures, even though used exclusively for street lighting or signal systems. Facilities for lighting athletic fields, parks, and similar public or semipublic places, are carried in account 361, Installations on

Consumers' Premises, or account 362, Leased Property on Consumers' Premises, depending on the arrangement under which they are operated.

General Plant

370 LAND AND LAND RIGHTS

The cost of land owned in fee and rights, interest, and privileges held in land owned by others, used for electric plant purposes which is not properly includible in other land and land rights accounts. See distribution plant account 360, Land and Land Rights, for the accounting for plant of this nature.

371 STRUCTURES AND IMPROVEMENTS

The installed cost of permanent buildings and structures to house, support, or safeguard property or persons, and improvements of a permanent nature on or to land, used for electric plant purposes which are not properly includible in other structures and improvements accounts. See distribution plant account 351, Structures and Improvements, for the accounting for plant of this nature.

372 OFFICE FURNITURE AND EQUIPMENT

The cost of office furniture and equipment devoted to electric service and not permanently attached to buildings. Articles of slight value or short service life are charged to the appropriate operating expense account and not to this account.

373 TRANSPORTATION EQUIPMENT

The cost of transportation equipment and garage equipment not permanently attached to buildings, used in electric service. Articles of slight value or short service life are charged to account 903, transportation Expense--Clearing, and not to this account. Work equipment carried on trucks which is not permanently attached is not included in this account, but in account 377, Tools and Work Equipment, if capitalized, and/or account 375, Shop Equipment.

374 STORES EQUIPMENT

The cost of equipment used for the receiving, shipping, handling, and storage of electric materials and supplies not permanently attached to buildings.

Principal items of equipment included in this account are as follows:

Crane, hoist, or chainfall.

Motor.

Portable elevating and stacking equipment.

Shelving or bins (section).

Truck.

375 SHOP EQUIPMENT

The installed cost of equipment specially provided for general shops,

when such equipment is not an integral part of the housing structure, is charged to this account. The account includes foundations and settings specially constructed for and not expected to outlast the apparatus for which provided. Office Furniture and equipment used in shops is carried in account 372, Office Furniture and Equipment.

Principal items of equipment included in this account are as follows:

- Crane, hoist, or chain fall.
- Drilling machine.
- Forge.
- Lathe.
- Motor.
- Vise.
- Workbench.

376 LABORATORY EQUIPMENT

The installed cost of laboratory equipment used for general laboratory and testing purposes is charged to this account. Articles of slight value or short service life are charged to the appropriate operating expense accounts and not to this account.

Principal items of equipment included in this account are as follows:

- Ammeter.
- Meter-testing equipment.
- Switchboard.
- Voltmeter.

377 TOOLS AND WORK EQUIPMENT

The cost of tools, implements, and equipment used in construction or repair work and not provided for in other equipment accounts is charged to this account. Small tools, such as pliers, screwdrivers, hammers, axes, shovels, etc., are capitalized and charged to this account at the time of purchase. When new tools are purchased to replace in kind tools which have been lost, stolen, or those not in a usable condition, the cost of such replacement should be treated as an expense and charged to the appropriate operating or maintenance accounts.

Principal items of equipment included in this account are as follows:

- Cable-pulling power equipment.
- Hot line stick.
- Ladder.
- Pole-setting tools.
- Posthole digger.

378 COMMUNICATION EQUIPMENT

The installed cost of telephone, telegraph, and wireless equipment for general use in electric operations is charged to this account.

Principal items of equipment included in this account are as follows:

Intercommunicating telephone system.

Radio receiver.

Radio transmitter.

Storage battery installation.

Note: Units for conductors, supports, and duct lines are identical with those for accounts 354, 355, 356, and 357.

379 MISCELLANEOUS EQUIPMENT

The cost of equipment, apparatus, etc., used and useful in electric operations, and which is not includible in any other account, is charged to this account.

391 ELECTRIC PLANT PURCHASED

The cost of electric plant acquired as an operating unit or system for which original cost and depreciation at acquisition have not yet been determined, is charged to this account. This account is used exclusively as a clearing account for electric plant acquired as an operating unit or system. At the time of acquisition, the account is debited with (a) the price paid or payable by the acquiring organization, including indebtedness assumed, and (b) acquisition costs including preliminary survey and investigation charges, and cost of inventory and valuation of the property acquired. These costs are then cleared from the account in the following manner:

- (1) The original cost of the acquired property is established from the records of predecessor owners, or, if the data cannot be secured entirely from such records, that portion not so obtainable is estimated by the most accurate means available. The original cost is then credited to this account (391) and concurrently debited to the appropriate detailed electric plant accounts and underlying historical plant records.
- (2) The depreciation and amortization requirements at the date of acquisition are determined for the property in the manner provided in account 250, Reserve for Depreciation of Electric Plant in Service, and are debited to this account (391) and concurrently credited to the depreciation reserve account 250, and account 251, Reserve for Amortization of Limited-Term Electric Investments, as appropriate.
- (3) The amount remaining in account 391, relating to the acquired property, whether a debit or a credit, is then closed to account 100.5, Electric Plant Acquisition Adjustments.

392 ELECTRIC PLANT SOLD

Net credits arising from the disposal of operating units of electric plant, pending the completion of the accounting for the transactions. This account is used exclusively as a clearing account for all electric plant disposed of as an operating unit. At the time of disposal of

such property, this account is credited with the net proceeds of sale, including indebtedness assumed by and contributed capital acquired by the purchaser, but excluding amounts received for net current assets and everything other than electric plant. Commissions and other costs of the sale are debited to the account if not deducted from the proceeds of sale. The accounting for the transaction is then completed as follows:

- (1) The original cost of the electric plant sold is debited to this account and credited to the detailed electric plant accounts and underlying plant records.
- (2) If it is determined that a substantial amount of the electric plant acquisition adjustments relates to the property sold, the amount applicable, whether a debit or credit, is transferred from account 100.5, Electric Plant Acquisition Adjustments, to this account (392).
- (3) The accumulated reserves for depreciation and amortization (estimated if not known) against the property sold are transferred by debits to the reserves in which carried and credits to this account (392).
- (4) The balance in the account relating to the transaction is then closed, if a debit, to account 538, Miscellaneous Income Deductions, and if a credit to account 526, Miscellaneous Non-operating Revenues.

393 DONATIONS IN AID OF CONSTRUCTION--CREDIT

This account shall be credited (upon completion of construction) of all donations which were made for the purpose of accomplishing specific construction of a project or a portion thereof. Donations or contributions when originally made should be credited to account 265.1, Contributions in Aid of Construction, and permitted to remain therein until the construction for which the contribution was made is completed. Donations in excess of the cost of a specific project shall not be credited to this account. Records supporting the entries to this account shall be so kept that the organization can furnish information as to the source of each donation, the purpose, amount and conditions if any, on which it was made.

Debits

At time property, for which donation for construction was made, is sold or retired.

Credits

Amount of donation made on construction work after being fully completed.

SECTION V

LIST OF EARNED SURPLUS ADJUSTMENT ACCOUNTS

Adjustment Accounts

401 Miscellaneous Credits to Surplus
414 Miscellaneous Debits to Surplus

SECTION V

DESCRIPTION OF EARNED SURPLUS

ADJUSTMENT ACCOUNTS

General Provisions

The earned surplus account (271) is the accumulated net income or loss arising from operations. The 401 and 414 accounts are designed to show the changes in earned surplus or deficit during each calendar year resulting from (a) accounting adjustments not properly attributable to the period, (b) miscellaneous gains and losses not accounted for elsewhere, and (c) appropriations or other reservations of earned surplus for specific purposes.

Earned Surplus

Adjustment Accounts

401 MISCELLANEOUS CREDITS TO SURPLUS

Revenues earned in previous calendar years which, if entered in the appropriate accounts, would distort the current year's income statement. Entries in this account should be fully described and sufficient details should appear therein so that the amounts may be identified to the years and the accounts to which they apply.

Debits

Corrections.

Balance remaining at the close of the calendar year is closed into Account 271, Earned Surplus.

Credits

Amounts previously written off through charges to earned surplus.

Delayed income, operating revenue and operating expense credits.

414 MISCELLANEOUS DEBITS TO SURPLUS

Expenses incurred in previous calendar years which, if entered in the appropriate accounts, would distort the current year's operating statement. Entries in the account should be fully described, and sufficient details should appear therein so that the amounts may be identified to the years and the accounts to which they apply.

Debits

Accrued depreciation, taxes.

Purchase power and amortization not provided for.

Delayed operating expense and miscellaneous reservations not provided for elsewhere.

Credits

Corrections - balance remaining at the close of the calendar is closed into Account 271, Earned Surplus.

SECTION VI

LIST OF INCOME ACCOUNTS

Electric Operating Incomes

Operating Revenues (see 600 series)

Operating Revenue Deductions

Operating Expenses (700 and 800 series)

- 503.3 Depreciation of Distribution Plant
- 503.4 Depreciation of General Plant
- 504 Amortization of Limited Term Electric Investments
- 505 Amortization of Electric Plant Acquisition Adjustments
- 506 Property Losses Chargeable to Operations
- 507.1 Taxes--Property
- 507.2 Taxes--U. S. Social Security--Unemployment
- 507.3 Taxes--U. S. Social Security--Old Age Benefits
- 507.4 Taxes--State Social Security--Unemployment
- 507.5 Taxes--State Sales--Consumers
- 507.6 Taxes--Income
- 507.7 Taxes--Other

Other Income

- 520.1 Revenue from Merchandising Sales
- 520.2 Merchandising Revenue Deductions
- 524.1 Interest on Security Owned
- 524.2 Other Interest Revenues
- 525 Revenues from Sinking and Other Funds
- 526 Miscellaneous Nonoperating Revenues
- 527 Nonoperating Revenue Deductions

Other Income Deductions

- 530.1 Interest on REA Construction Loan
- 530.2 Interest on REA Installation Loan
- 530.3 Interest on Other Long-Term Debt
- 531 Amortization of Debt Discount and Expenses
- 535 Other Interest Charges
- 536 Interest Charged to Construction--Credit
- 538 Miscellaneous Income Deductions

Disposition of Net Income

- 540 Miscellaneous Reservations for Net Income

DESCRIPTION OF INCOME ACCOUNTS

Purpose of Income Accounts

The income accounts are designed to show for each month and each calendar year the operating revenues and expenses, the other income, the income deductions, the net income, the miscellaneous reservations of net income, and the amount of income or loss remaining for transfer to earned surplus.

The records supporting the other income shall be so kept that the cooperative can furnish detailed statements of the revenues from each source and the expenses and other deductions relating to such revenues.

503.3 DEPRECIATION OF DISTRIBUTION PLANT

Depreciation on distribution plant in service carried in accounts 351 to 363 and 391, also the costs of Distribution Plant in account 103.4 Unclassified Plant in Service. See also the explanation of account 250, Reserve for Depreciation of Electric Plant in Service, to which the accruals charged to this account (503.3) are credited.

Debits

Monthly depreciation of depreciable distribution plant.

Credits

503.4 DEPRECIATION OF GENERAL PLANT

Depreciation on general plant carried in accounts 371 to 379 and 391, except transportation equipment or other plant, depreciation on which is charged to clearing accounts. See also the explanation of account 250, Reserve for Depreciation of Electric Plant in Service, to which the accruals charged to this account (503.4) are credited.

Debits

Monthly depreciation of depreciable general plant except that charged to clearing accounts.

Credits

504 AMORTIZATION OF LIMITED-TERM ELECTRIC INVESTMENTS

The amortization of limited-term investments such as limited-term franchises, licenses, rights-of-way, and patent rights. If the intangible assets amortized apply to different functional types such as distribution and general plant, a separate account is opened for each. Charges to this account are concurrently credited to account 251, Reserve for Amortization of Limited-Term Electric Investments.

Debits

Monthly amortization of debit limited-term electric investments.

Credits

505 AMORTIZATION OF ELECTRIC PLANT ACQUISITION ADJUSTMENTS

The amortization of amounts carried in account 100.5, Electric Plant Acquisition Adjustments. The amounts amortized are debited or credited to this account (505) depending on whether account 100.5 has a debit or a credit balance; the contra entry is to account 100.5, Electric Plant Acquisition Adjustments.

Debits
Monthly amortization of
electric plant acquisition
debit adjustments.

Credits
Monthly amortization of
electric plant acquisition
credit adjustments.

506 PROPERTY LOSSES CHARGEABLE TO OPERATIONS

The amount credited to account 141, Extraordinary Property Losses is charged to this account (506). The amount amortized and the use of the accounts are subject to the approval of the Finance Division of REA.

Debits
Monthly amortization of debit.
Extraordinary property losses.

Credits

507.1 TAXES--PROPERTY

The expense arising from ad valorem property taxes paid or accrued on property used in electric operations. Property taxes are assessed for a taxable year which rarely coincides with an organization's calendar year. At the start of a new tax year and continuing until the exact amount of the tax is known, this account (507.1) is charged monthly with one-twelfth of the estimated amount of the new annual levy, the concurrent credit being to account 228, Taxes Accrued. When the tax is finally determined, the two accounts (507.1 and 228) are adjusted, if necessary, to reflect the correct accruals and the proper monthly amount accrued thereafter until the tax is paid. Payment of the tax is charged to account 228, Taxes Accrued, to the extent accrued and the balance is charged to account 132.2, Other Prepayments, (or appropriate sub-account if desired). The monthly charges to account 507.1 for the balance of the tax year will then consist of the write-offs of the amount prepaid.

The following types of property taxes are not chargeable to this account (507.1) but to the accounts indicated in each case:

Taxes applicable to transportation equipment operations are charged to account 903, Transportation Expense--Clearing. Special assessments for street and similar improvements are included as part of the cost of the property benefited.

Debits
Ad valorem taxes not provided
for in other accounts.

Credits

507.2 TAXES--U. S. SOCIAL SECURITY--UNEMPLOYMENT

507.3 TAXES--U. S. SOCIAL SECURITY--OLD AGE BENEFITS

507.4 TAXES--STATE SOCIAL SECURITY--UNEMPLOYMENT

Employer's contributions to social security taxes, as indicated by the respective account titles, charged to electric operations. These taxes are based on payrolls and are computed monthly and recorded by charging these accounts as applicable and crediting accounts 228, Taxes Accrued. Social security taxes accrued on construction wages are not charged to these accounts but to the same work orders and construction accounts as the wages; the credit, however, is to the same account (228). Employees' contributions to the tax are credited directly to account 228 and payments to the taxing agencies charged in full to it.

<u>Debits</u>	<u>Credits</u>
Monthly accruals of employer's contributions to social-security taxes charged to electric operations.	

507.5 TAXES-STATE SALES-CONSUMERS

Taxes levied on energy sales of the cooperatives. This expense is accrued monthly by charges to this account and credits to account 228, Taxes Accrued.

<u>Debits</u>	<u>Credits</u>
Monthly accrual of state sales tax.	

507.6 TAXES--INCOME

Taxes levied on the income of cooperatives, where less than 85 percent of the revenue is derived from members within the meaning of Section 101 (10) of the Internal Revenue Code. This expense is accrued monthly on the taxable income of that month by charges to this account and credits to account 228, Taxes Accrued. This account shall also include any income taxes levied by State taxing authorities.

<u>Debits</u>	<u>Credits</u>
Monthly accrual of income tax.	

507.7 TAXES--OTHER

Expenses incurred on account of taxes chargeable to electric operations other than those listed in accounts 507.1 to 507.6. Where possible, sales taxes are charged to the same account as the material or equipment on which the tax is levied.

<u>Debits</u>	<u>Credits</u>
Taxes chargeable to electric operations other than those listed in accounts 507.1 to 507.6.	

520.1 REVENUE FROM MERCHANDISING SALES

Revenue from merchandising sales which includes amounts received from the sale of electrical appliances, equipment, etc., as well as amounts received for servicing such equipment shall be credited to this account. (Revenue from the sale of material and supplies not ordinarily purchased for resale is accounted for through Account 615, Miscellaneous Electric Revenue).

520.2 MERCHANDISING REVENUE DEDUCTIONS

This account shall be charged with all costs and expenses incurred by the system on account of sales of appliances, equipment, etc., including expenses incurred in servicing such appliances and equipment. This includes that portion of salaries, general office expenses (rent, lighting, heat, etc.) which should be prorated to the various purposes in an equitable manner. The account shall be maintained in such a manner to disclose:

1. The cost of merchandise sold
2. Transportation, storage, handling
3. Taxes applicable to sales
4. Discounts or allowances given
5. Insurance
6. Loss from uncollectible accounts
7. Pay and expenses of employees engaged in clerical work bookkeeping, sales, delivery, installation, collection of bills, etc., in connection with merchandising.

Note: The revenue and expenses of merchandising, jobbing and contract work shall be reported in these accounts, unless it is required by any commission or body having regulatory jurisdiction that such revenue and expenses be treated as operating items. In such cases accounts 789.1 and 789.2 may be assigned to these accounts and the net income or loss from such activity treated as operating revenue or loss.

522. REVENUES FROM LEASE OF OTHER PHYSICAL PROPERTY

A. This account shall include all rent revenues from land, buildings, or other property not devoted to utility operations.

B. All expenses, such as repairs, depreciation, taxes, uncollectible rents, etc., incurred in connection with the property leased, shall be charged to Account 527, Non-Operating Revenue Deductions.

524.1 INTEREST ON SECURITIES OWNED

Income earned on investments carried in account 112, Other Investments. Income from investment of special funds is not credited to this account but to account 525, Revenues from Sinking and Other Funds. See explanation of account 112, Other Investments.

Debits

Credits

Interest earned on securities
carried in account 112, Other
Investments.

(Revised 7/46)

524.2 OTHER INTEREST REVENUES

Interest revenues on loans, consumer notes, advances, special deposits, and all other interest-bearing assets except interest provided for in accounts 524.1, Interest on Securities Owned, and 525, Revenues from Sinking and Other Funds.

Debits

Credits

Interest earned not otherwise provided for.

525 REVENUES FROM SINKING AND OTHER FUNDS

Revenues earned on cash, securities, or other assets of special funds carried in the 114 number series of accounts. The revenues are credited to this account even if the cash from them is not retained in the fund.

526 MISCELLANEOUS NONOPERATING REVENUES

All revenue items properly includible in the income account and not provided for elsewhere.

Debits

Credits

All revenues properly includible in income account and not provided for elsewhere.

527 NONOPERATING REVENUE DEDUCTIONS

The expense including depreciation, taxes, and uncollectible accounts applicable to the revenues included in accounts 522 and 526.

Debits

Credits

Expenses applicable to the revenues included in accounts 522 to 526.

530.1 INTEREST ON REA CONSTRUCTION LOAN

Interest expense on indebtedness carried in account 213.1, Long-Term Debt--REA Construction.

Debits

Credits

Monthly interest expense on long-term indebtedness to REA.

530.2 INTEREST ON REA INSTALLATION LOAN

Interest expense on indebtedness carried in account 213.2, Long-Term Debt--REA installation. This expense is recorded

monthly by charging 530.2 and crediting account 229.2, Interest Accrued--REA installation.

<u>Debits</u>	<u>Credits</u>
Monthly interest expense on long-term indebtedness.	

530.3 INTEREST ON OTHER LONG-TERM DEBT

Interest expense on indebtedness carried in account 213.3, Other Long-Term Debt. This expense is recorded monthly by charging this account (530.3) and crediting account 229.3, Interest Accrued.

<u>Debits</u>	<u>Credits</u>
Monthly interest expense on indebtedness carried in account 213.3, Other Long-Term Debt.	

531 AMORTIZATION OF DEBT DISCOUNT AND EXPENSES

The amount of debt expense written off for the accounting period. The amounts charged to this account shall be credited concurrently to account 140, Unamortized Debt Discount and Expenses.

<u>Debits</u>	<u>Credits</u>
Amount amortized or written off monthly.	

535 OTHER INTEREST CHARGES

Interest expense not provided for elsewhere. Interest charged to this account is generally credited to account 229.3, Other Interest Accrued. If, however, the interest was paid in advance the account charged with the prepayment (132.2, Other Prepayments) is credited.

Interest on the following items is chargeable to this account:

- Assessments for public improvements past due.
- Claims and judgments.
- Consumers' deposits.
- Notes payable on demand or maturing one year or less from date of issue.
- Tax levies past due.

<u>Debits</u>	<u>Credits</u>
Interest expense not provided for elsewhere.	

536 INTEREST CHARGED TO CONSTRUCTION--CREDIT

Amount of concurrent credits arising from interest charged

to construction. Interest incurred during the construction period on funds used in construction is not considered as a charge against operations but is generally capitalized as part of the cost of constructing the project. Hypothetical interest and interest on funds not borrowed specifically for construction purposes are not considered a construction cost. Interest charges to construction cease when the constructed property is ready for service. Interest accruing during delays in the construction program may be included in construction cost to the extent that such delays could not be avoided. The entry for capitalizing interest during construction is a charge to the appropriate construction-work-in-progress accounts (103.1, 103.2 or 103.3) and a credit to this account (536).

Debits

Credits

Interest charged to construction work in progress.

538 MISCELLANEOUS INCOME DEDUCTIONS

Miscellaneous debits to income not provided for elsewhere. Examples of items included in this account are normal losses resulting from the permanent impairment of the value of securities, the cost of preliminary survey charges where the contemplated project is not constructed, and the amortization of organization expenses.

Debits

Credits

Deductions from income not provided for in other accounts.

540 MISCELLANEOUS RESERVATIONS OF NET INCOME

This account shall include reservations of net income, such as may be required under the terms of mortgages, deeds of trust, orders of courts, contracts, or other agreements, and other reservations of net income.

SECTION VII

LIST OF OPERATING REVENUE ACCOUNTS

600	Residential Sales
601.1	Rural Sales--Farm
601.2	Rural Sales--Non-Farm
602.1	Commercial and Industrial Sales-Small
602.2	Commercial and Industrial Sales-Large
603	Public Street and Highway Lighting
604	Other Sales to Public Authorities
605	Sales to Other Electric Utilities
606	Sales to Other REA Systems
608	Other Sales
610	Rent from Electric Property
612	Consumers' Forfeited Discounts and Penalties
615	Miscellaneous Electric Revenues

SECTION VII

OPERATING REVENUE ACCOUNTS

The operating revenue accounts (600 series) are designed to show the amounts of revenues which the organization has earned for furnishing electric service to various classes of consumers and for services incidental thereto. Each system shall maintain a supporting record of all entries to each operating revenue account so that it will be in a position to furnish (1) the name of each consumer, (2) quantity of electric energy furnished to each consumer, (3) the amount charged for electric energy furnished, and (4) the rate schedule or schedules on which the charges are made.

600 RESIDENTIAL SALES

Revenues earned from sales of electric energy for residential purposes in small towns, villages and urban communities.

601.1 RURAL SALES--FARM

This account shall include revenue from sales of electric energy to farms. In determining those consumers to be included in the farm classification the standard U. S. Bureau of the Census definition of a farm should be applied. Essentially, a farm is defined as any tract of land of three acres or more used mainly to produce agricultural products or any place of three acres or less where the annual value of agricultural products exceeds \$250. This shall include consumers receiving either single or three phase service.

601.2 RURAL SALES--NON-FARM

Revenues earned from the sales of electric energy to rural domestic consumers other than those falling in the classification of a farm as outlined in the preceding account.

602.1 COMMERCIAL AND INDUSTRIAL SALES-SMALL

Revenue earned from sales of electric energy (single or three phase service) supplies for commercial and industrial purposes including stores, offices, garages, taverns, hotels, tourist camps, creameries, schools, churches, hospitals, community halls, poor farms, other public buildings, factories and other business establishments.

602.2 COMMERCIAL AND INDUSTRIAL SALES-LARGE

This account shall include revenues from electric energy supplied for large power and industrial consumers requiring transformer capacity in excess of 25 KVA.

603 PUBLIC STREET AND HIGHWAY LIGHTING

Revenues earned from sales of electric energy to consumers for the purposes of street and highway lighting; police, fire alarm and other signal systems. This account includes recoveries of maintenance and investment charges added to the energy charge under the provisions of these rate contracts or schedules. Billings for lamp renewals are not credited to this account but to account 763, Operation of Street Lighting and Signal Systems.

604 OTHER SALES TO PUBLIC AUTHORITIES

Revenue earned from sales of electric energy to municipalities or divisions or agencies of Federal or State Government under special contracts. Service under standard classifications is includible in accounts 602.2, 603 and 605.

605 SALES TO OTHER ELECTRIC UTILITIES

Revenue earned from sales of electric energy to other public utilities, cooperatives and public authorities for distribution.

606 SALES TO OTHER REA SYSTEMS

Record in this account the amounts received or earned arising from the sale of electric energy to other REA systems for distribution.

608 OTHER SALES

This account shall include revenues derived from electric energy supplied to consumers which are not properly includible in accounts 600 to 606, inclusive.

610 RENT FROM ELECTRIC PROPERTY

Rents earned from the use by others of land, buildings, and other electric plant. The most common type of revenue included in this account is rent from pole attachments. Rent from property carried in account 362, Leased Property on Consumers' Premises, is not credited to this account but to account 615, Miscellaneous Electric Revenues. Investment charges made for the use of street and other public lighting facilities are not credited to this account, but to account 603, Public Street and Highway Lighting.

Where the organization employs some to its electric plant for the benefit of others under a definite arrangement for apportioning the actual expenses among the participants, the recoveries of operating and maintenance expenses are credited to the appropriate expense accounts but reimbursement for depreciation, taxes, interest, return on investment, and similar items, are credited to this account (610).

612 CONSUMERS' FORFEITED DISCOUNTS AND PENALTIES

Discounts for prompt payments which have been forfeited by consumers through failure to pay their electric bills within the specified period. Since electric revenue is recorded in the accounts at the net amounts billed, no entry is made for discounts until they are forfeited by the consumer. At that time they are regarded as revenues and credited to this account and charged to account 125.1, Accounts Receivable--Electric Consumers. Discounts are forfeited if notes or warrants payable after the discount date are given or if returned checks are not made good until after the discount date, as well as for open accounts at the discount date. Reconnection charges are not considered penalties and are credited to account 615, Miscellaneous Electric Revenues.

615 MISCELLANEOUS ELECTRIC REVENUES

Revenues derived from electric operations not includible in any of the forgoing accounts. Examples of the revenues included in this account are fees charged for changing, connecting, and reconnecting service, emergency switching and patrolling fees, membership transfer fees, profit on the sale of materials and supplies not ordinarily purchased for resale, and rentals from property included in account 362, Leased Property on Consumers' Premises.

SECTION VIII

LIST OF OPERATING EXPENSE ACCOUNTS

738 Purchased Power

Distribution Expenses

756 Operation Supervision and Engineering
759 Operation of Stations
761 Operation of Lines
762 Services on Consumers' Premises
763 Operation of Street Lighting and Signal Systems
764 Maintenance Supervision and Engineering
765 Maintenance of Structures and Station Equipment
768 Maintenance of Lines
770 Maintenance of Line Transformers and Devices
771 Maintenance of Services
772 Maintenance of Meters
773 Maintenance of Installations and Leased Property
 on Consumers' Premises
775 Maintenance of Street Lighting and Signal Systems
776 Rents

Consumers' Accounting and Collecting Expense

780 Meter Reading, Accounting and Collecting
783 Uncollectible Accounts
784 Rents

Load Building Expenses

787 Utilization

Administrative and General Expense

791 General Office Salaries
793 General Office and Miscellaneous Expense
795 Special Services
797 Regulatory Commission Expenses
798 Insurance
799 Injuries and Damages
800 Employees Welfare Expenses and Insurance
801.1 Directors Fees and Mileage
801.2 Dues Paid Associated Organizations
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810 Stores Expense
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SECTION VIII

DESCRIPTION OF OPERATING-EXPENSE ACCOUNTS

General

The operating-expense accounts (700, 800 and 900 number series) provide a classification of expenses by functions. These are grouped as follows:

- Purchased power.
- Distribution expense.
- Consumers' accounting and collecting expense.
- Utilization.
- Administrative and general expense.

As stated in Section I no accounts have been provided in this manual for production or transmission functions since few of the organizations using this manual have such facilities. (See Accounts for Generating and Transmission in the Federal Power Commission uniform system of accounts.)

Costs are accumulated in these accounts throughout the calendar year. At the close of the year the accounts are closed to earned surplus.

While all of the accounts in this section are known as "Operating-expense accounts" it should be noted that the activities chargeable to accounts 756 through 763 are referred to specifically as "Operations." The term is used in this connection in a limited sense to distinguish certain activities from maintenance work relating to the same general functions and chargeable to accounts 764 to 775. In utility accounting the distinction between the terms "operations" and "maintenance" is important. The following lists exemplify the types of distribution activities included under each of these categories:

Operation activities:

- Routine patrolling.
- Routine inspecting (except inspection of repairs.)
- Removing and resetting meters and transformers.
- Work on consumers' premises, such as investigating and adjusting service complaints.
- Clearing and tree trimming (except in connection with original construction).
- Supervision and other expenses, including labor, material, and transportation expense related directly to the operation activities.

Maintenance activities

- Repairing distribution property, including cutting and replacing pavements, etc., in connection with repairs.
- Inspecting and testing after repairs have been made.
- Inspecting, testing (except routine tests of transformers and meters), and reporting on the condition of electric plant in service specifically to determine the need for repairs, minor replacements, rearrangements and changes.

Replacing distribution plant items smaller than those required to be accounted for through the plant accounts.
Repairing materials for re-use.
Restoring the condition of distribution property damaged by storms, breakage, floods, fire, accident, or other casualties, or by wear and tear, decay, or action of the elements (but not the replacement of plant items which must be accounted for through the plant accounts).
Routine work (except work requiring the replacement of items accounted for through the plant accounts) to prevent trouble, such as pulling up slack, tightening guys, raking guy stubs, straightening poles and crossarms, and cleaning and adjusting equipment.
Testing for, locating, and clearing trouble arising from distribution property.
Supervision and other expenses, including labor, material, and transportation expense relating directly to maintenance activities.

Accurate accounting for maintenance requires a thorough familiarity with and observance of the units of property provided for each electric-plant account. The cost of replacing a portion of a unit of property, c.g., a minor item of property, is charged to the appropriate maintenance account and no entry is made in the plant accounts for the items replaced. The replacement of a unit of property, on the other hand, is not charged to maintenance but is accounted for through the plant accounts by means of work orders.

Salvaged materials and insurance recoveries are credited as far as practicable to the accounts charged with the work involved. Thus, if the recovery arises from retirement work, it is credited to the retirement work in progress account. If it arises from maintenance work it is credited to the maintenance account charged with the work performed.

Rent expense accounts are provided under each functional group of accounts. The cost, when incurred by the lessee, of operating and maintaining leased property is charged to the accounts appropriate for the expense if the property were owned, except that taxes and plant replacements on such property are charged to the appropriate rent expense or clearing account. Revenue derived from subleasing is credited to account 610, Rent from Electric Property.

Purchased Power

738 Purchased Power

The cost of power purchased for redistribution, at the point of delivery to the organization. The account includes energy; demand charges; readiness to serve as "stand by" charges; wheeling charge; forfeited discounts and penalties for late payment of bills. Power purchased by an organization exclusively for its own consumption, as in the case of a cooperative's office served by another utility, is

not charged to this account but to the appropriate functional expense account, depending on the nature of the use. If power purchased for redistribution is used by the organization, no adjustment therefor is made in this account. (See account 806 Duplicate Miscellaneous Charges--Credit.) Records should be kept so as to show, by months the demands and demand charges, and kilowatt hours and prices thereof under each purchase contract.

Distribution Expense

756 Operation Supervision and Engineering

Supervisory and engineering expenses relating directly to the general operation of the distribution system. The account includes salaries, transportation, lodging, meals, and other travelling and incidental expenses of manager, engineers and consultants engaged in supervising and directing the operation of distribution system.

759 Operation of Stations

This account shall include the pay of employees and the cost of supplies and expenses incurred in connection with the operation of distribution stations.

761 Operation of Lines

The expense of distribution line operations. The following activities, among others, when performed in relation to the distribution lines are chargeable to this account:

- Clearing brush and trimming trees (except for original construction).

- Routine inspecting and testing of overhead and underground lines, including lighting arresters and transformers (except inspection of repairs).

- Voltage surveys and periodic testing.

- Routine patrolling.

- Routine cleaning of subway ducts, manholes, and sewer connections for underground lines.

- Removing, resetting, and changing line transformers.

- (Note: See account 358 Line Transformers for the accounting for the initial installation of transformers.)

- Emergency and routine line patrolling performed under contract with other agencies. (Note: Reimbursement or revenue from this source is credited to account 615 Miscellaneous Electric Revenues.)

762 Services on Consumers' Premises

Operation work on Consumers' premises. This includes the following:

- Inspecting, testing, removing, and resetting or changing the location of meters, instrument transformers, and accessory equipment used on consumers' premises.

- (Note: See account 360 Meters for the accounting for the initial installation of meters.)

Investigating and adjusting service complaints.

(Note: The cost of jobbing and contract work for consumers is not charged to this account but to account 520.2 Merchandising Revenue Deductions.)

763 Operation of Street Lighting and Signal Systems

Operation of overhead and underground street lighting and signal systems, including traffic, fire, and police signal systems. The following activities, among others, when performed in relation to street lighting and signal system are chargeable to this account:

Clearing brush and trimming trees (except for original construction).

Patrolling and testing lines.

Voltage surveys.

Cleaning subway ducts, manholes, and sewer connections.

Lamp renewals, less recoveries from consumers.

764 Maintenance Supervision and Engineering

Supervisory and engineering salaries, transportation, lodging, and meals or other incidental expenses relating directly to the maintenance of the distribution system.

765 Maintenance of Structures and Station Equipment

The maintenance of distribution-plant items carried in the following electric-plant accounts:

351 Structures and Improvements

352 Station and Storage Battery Equipment

768 Maintenance of Lines

The maintenance of distribution-plant items carried in the following electric-plant accounts:

354 Poles, Towers, and Fixtures

355 Overhead Conductors and Devices

356 Underground Conduit

357 Underground Conductors and Devices

770 Maintenance of Line Transformers and Devices

The maintenance of distribution-plant items carried in electric-plant account 358 Line Transformers. This account includes the cost of renewing oil, painting and rewinding, and other maintenance; also, the cost of maintaining lightning arresters installed for line and transformer protection, and the expense connected with the refusing of transformer cutouts. The cost of transformer changes incurred by reason of load conditions is charged to account 761, Operation of Lines.

771 Maintenance of Services

The maintenance of distribution-plant items carried in electric-plant account 359, Services.

772 Maintenance of Meters

The maintenance of distribution-plant items carried in electric-plant account 360, Meters. The cost of removing, changing, and resetting meters, other than for repair purposes, is not charged to this account but to account 762, Services on Consumers' Premises.

773 Maintenance of Property on Consumers' Premises

The maintenance of distribution-plant items carried in electric-plant accounts 361, Installations on Consumers' Premises and 362, Leased Property on Consumers' Premises. The maintenance of Consumers' property is not charged to this account.

775 Maintenance of Street Lighting and Signal Systems

The maintenance of distribution-plant items carried in electric-plant account 363, Street Lighting and Signal Systems. The cost of lamp renewals for such systems and recoveries thereof billed to the consumers are charged and credited respectively to account 763, Operation of Street Lighting and Signal Systems, and not to this account. Revenue from investment and maintenance charges made under rate schedules are not credited to this account but to account 603 Public Street and Highway Lighting.

776 Rents

Rents of property of others used, occupied, or operated in the distribution of electric power. This account includes amounts paid or payable to others for pole attachments.

Consumers' Accounting and Collecting Expense

780 Meter Reading, Accounting, and Collecting

Consumers' accounting and collecting expense except bad debt and rents. This account includes the following activities:

- Work on consumers' applications, contracts, orders, complaints, and inquiries.
- Credit investigations and records.
- Meter reading.
- Consumers' billing, collecting and accounting, etc.

783 Uncollectible Accounts

Estimated losses arising from uncollectible accounts carried in account 125.1, Accounts Receivable-Electric Consumers. See account 254.2 Reserve for Uncollectible Accounts-Electric Consumers for the computation of estimated losses, the application of deposits and memberships to bad accounts, bad-debt write-offs, and recoveries of accounts previously charged off. Losses from receivables other than for electric revenues are charged to the expense accounts related to the transaction in which the receivables arose.

784 Rents

Rents paid or payable for use of property of others in connection with consumers' account and collecting.

787 Utilization

Costs and expenses (including salaries) or personnel, and materials and supplies used in connection with contracting non-consumers for the purpose of inducing them to take electric service; costs and expenses of personnel in connection with inducing consumers to increase load consumption by installing electrical devices or appliances. No salaries costs, or expenses should be charged to this account in connection with any activity, the primary purpose of which is to sell electrical equipment, devices or appliances.

Administrative and General Expense

791 General Office Salaries

The compensation (salaries and other consideration for services) of officers, and employees in administrative and general office activities. Salaries of persons doing general accounting and bookkeeping work are included in this account. The salaries of persons engaged in other electric functions, such as the operation or maintenance of the distribution system, consumers' accounting and collecting, or sales promotion, are charged directly to the appropriate functional expense accounts.

793 General Office Expenses

Expenses of employees, whose salaries are included in account 791, General Office Salaries, not chargeable directly to other functions, and the cost of office supplies and expenses in connection with the operation of the general office. This account includes such items as:

Accounting forms, binders stationery and all other miscellaneous supplies necessary to the operation of the general office.

Light, heat, telephone and telegraph service, postage and janitor supplies.

Bank service charges, exchange on checks protest fees and any other miscellaneous expense connected directly with the operation of the general office.

795 Special Services

Amounts paid or payable (except to employees) for general supervision, management, and other special services and related expenses, not chargeable directly to other functions. Examples of services chargeable to this account are legal, auditing and accounting, or other professional services.

797 Regulatory Commission Expenses

All salaries and expenses incurred in connection with reports required

or relations with state or other regulatory commissions. Expense incurred for the improvement of service, which are made necessary by the rules and regulations of regulatory bodies are charged to the appropriate operating expense or other accounts and not to this account.

798 Insurance

That portion of the cost of monthly premiums and related expenses paid or payable for protection against losses and damages to owned or leased property used in electric operations, except amounts chargeable to clearing accounts, shall be charged to this account. See account 132.1, Prepayments--Insurance for the accounting for premiums paid in advance. The cost of fidelity bonds for officers and employees is chargeable to this account (798). Premiums expiring relating to transportation and garage equipment are charged to account 903, Transportation Expense--Clearing. The cost of insurance protection from claims arising from personal injury or damage to the property of others is charged to account 799, Injuries and Damages.

799 Injuries and Damages

Expired premiums paid or payable for protection against claims arising from personal injury or damage to the property of others and losses from such sources not covered by insurance, except amounts chargeable to clearing accounts. The major types of insurance carried in this account are workmen's compensation, employers' liability, public liability, and property damage.

Expenses of this nature relating to transportation equipment are charged to account 903, Transportation Expense--Clearing. Where overhead charged to construction, if any, does not include the cost of workmen's compensation and similar premiums computed on the basis of payrolls, the amounts thereof accrued on construction payrolls may be charged directly to the construction work orders. Insurance or retirement benefits voluntarily carried for employees under an employee welfare plan are not charged to this account, but to account 800, Employees' Welfare Expenses and Insurance.

See account 132.1, Prepayments--Insurance for the accounting for advance premiums; account 230.4, Accrued Insurance for the accrual of premiums; and account 798, Insurance for dividends and recoveries received from insurance companies.

800 Employees' Welfare Expenses and Insurance

This account shall include the expenses incurred in conducting employees' accident prevention, educational and recreational activities, the cost of employees' relief and benefits (other than pensions, and injuries and damages chargeable to account 799, Injuries and Damages), and the cost of life insurance for employees where the utility is not the beneficiary.

801.1 Directors' Fees and Mileage

This account shall include directors fees and mileage for attendance at

board or committee meetings, or other meetings which are attended by Directors the expenses for which are assumed by the Cooperative.

801.2 Dues Paid Associated Organizations

This account to provide for payment of dues to any affiliated organizations.

801.3 Donations

This account is to record donations to charitable and similar institutions.

801.4 Miscellaneous General Expenses

All expenses connected with the general management not provided for in other accounts. Examples of the latter type are publications and distribution of reports to members, to consumers, or to the public, fees of fiscal agents, and advertising notices of members' annual meetings. General office salaries and expenses are not charged to this account but to accounts 791, General Office Salaries, and 793, General Office and Miscellaneous Expenses, respectively.

802 Maintenance of General Property

The maintenance of items carried in the following electric-plant accounts:

- 371 Structures and Improvements
- 372 Office Furniture and Equipment
- 375 Shop Equipment
- 376 Laboratory Equipment
- 377 Tools and Work Equipment
- 378 Communication Equipment
- 379 Miscellaneous Equipment

The maintenance of transportation equipment is charged to account 903, Transportation Expense--Clearing; maintenance of stores equipment to account 810, Stores Expenses.

803 Rents

This account shall include rent properly includible in electric operating expenses covering the property of others used, occupied, or operated in connection with the general and administrative functions of the cooperative. If the rents cover property used for more than one function, such as production and transmission, the rents shall be apportioned to the appropriate rent expense accounts. (As an example, see Accounts 776 and 784)

806 Duplicate Miscellaneous Charges--Credit

Credits arising from the concurrent charges to operating expenses for power purchased for redistribution but used by the organization for its own activities, and credits arising from other similar transactions.

Amounts charged to the appropriate expense accounts and credited to this account to record the organization's consumption of power purchased for redistribution are generally computed at resale rates.

807 Administrative and General Expenses Transferred--Credit

Credits arising from charges to construction work orders for administrative and general expenses. The amounts to be charged to work orders are determined primarily on a time or direction-of-effort basis. Arbitrary percentages or amounts assumed to cover overhead costs are not used. Interest charged to construction is not credited to this account but to account 536, Interest Charged to Construction--Credit.

810 Store Expenses

Cost of operating and maintaining storerooms for electric materials and supplies. This account is charged with all stores expenses including the following:

- Maintenance of stores equipment:
- Salaries of storekeepers
- Expenses of taking of physical inventories
- Loss (gain credited) on disposal of scrap material
- Minor transportation charges and cash discounts (credited) which cannot be applied readily to the related material

903 Transportation Expenses--Clearing

An account used for the purpose of accumulating transportation expenses and distributing them monthly to the accounts properly chargeable with the service. Among the items of transportation costs clearing through this account are the following: depreciation of transportation equipment; fuel and lubricants for vehicles (including sales and excise taxes thereon); freight and express on fuel and repair parts; heat, light, and power for garage and garage office; insurance on garage equipment and transportation equipment, including public liability and property damage; license fees for vehicles and drivers; maintenance of transportation and garage equipment; operation of garages; and rent of garage buildings and grounds.

The transportation expenses are apportioned to operating and construction accounts each month on some equitable basis, of which the following is an example. The cost per mile is arrived at by dividing the cost by the number of miles. In the monthly distribution entry each job and activity is charged with the product of the number of miles the equipment was actually used on it times the rate per mile.